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EDITORIAL

As We See It

It is a sad commentary upon American politics, or, better still, it is a sad commentary upon the habits of the American people that so much is heard today about what would be "good politics" next year and the next, and so relatively little about what would be good for the country. It is unquestionably true that the Congress will choose its lines of policy in 1955 and in 1956 with its eyes fixed upon the next general election. In very considerable degree the same is to be said of the Executive Department in Washington and state and local governments throughout our fair land. For this reason, it is hardly strange that professional commentators and all those who must lay out their own plans for 1955 and 1956 in light of informed judgments about what government is likely to do must concentrate so largely upon the "politics" of alternative programs and policies.

Yet it is unfortunate that such a course is all but required of business generally. It is doubly unfortunate because it leaves so little time and attention for the much more fundamental question of what ought to be done in the public interest. Of course, underlying this situation is the disturbing premise that what the great rank and file can be persuaded to applaud and support at the ballot box may well not be what is really best for them in the long run. Such an assumption certainly is not a confidence inspiring one, but—with deep regret be it said—experience supplies much warrant for it. Demagogues we always have with us—and probably always shall. Well meaning but untrained and often unwise citizens will

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Outlook for Construction

By WALTER E. HOADLEY, JR.*
Economist, Armstrong Cork Company

Asserting total construction activity in 1954 now seems likely to go into an all-time high, Dr. Hoadley foresees continuing strength in construction activity, due to (1) backlog of residential and non-residential building; (2) population increase; (3) migration of families and business organizations to new locations, and, lastly, the general increase in personal incomes is making home ownership possible for millions. Among additional factors in promoting building construction, he lists: (1) the importance of modern housing in raising living standards; and (2) Federal activities in making mortgage money available at low rates.

It is difficult for me to recall any time when there was more optimism about construction prospects than at present. In fact, there even seems to be an almost complete absence of the skeptics who have been predicting for years that a sharp downturn in construction lies just ahead.

W. E. Hoadley, Jr.

I too find a real basis for optimism toward the 1955 construction outlook. My forecasting experience, however, makes me wary about any strong unanimity of opinion toward the future. Things seldom work out just as expected under such conditions. Hence, in my opinion the greatest danger regarding construction next year is not that another high volume won't be attained—it will—but rather that the actual level of building may fall short of many current extremely rosy predictions.

Total construction activity in 1954 now seems likely to go into the record as an all-time high. Despite reams of fragmentary construction statistics available on

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*An address by Dr. Hoadley before the panel discussions of the 353rd Meeting of the National Industrial Conference Board, Chicago, Ill., Nov. 18, 1954.

Economic Climate Ahead

By GORDON W. McKINLEY*
Chief Economist, The Prudential Insurance Company of America

Dr. McKinley first discusses the longer term outlook in which he makes predictions regarding future economic conditions and, in conclusion, pictures our economy in 1965 as "a rosy one." Says a tremendous volume of savings will be generated, and lenders must be on the lookout for new and productive ways to invest. Regarding business activity next year, Dr. McKinley surveys what is likely to happen in each of the principal spending segments of the economy. Says progress of inventory correction is completed, and business capital expenditures will be about $500 million above current year. Looks for increase of wage and salary income of four percent in 1955.

I have been asked to take a look at the economic climate ahead—the climate that we should expect next year, and also the climate we are likely to find ten years from now. Ten years is a long time, and in a dynamic economy such as ours many developments may occur in the future which we cannot possibly envision today. It is nevertheless possible to make logical estimates of the size of our economy in 1965, and though these estimates may in fact deviate from the actual figures of the future, they nevertheless are useful as a framework about which we can make our financial plans.

Gordon W. McKinley

The Longer Term Outlook

I would like to reverse what might be called the natural order of things and talk to you first about

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*An address by Dr. McKinley before the American Management Association Finance Conference, New York City.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

New York Central—G. M. Loeb, Partner, E. F. Hutton & Co., New York City. (Page 2)

Chicago Transit Authority 3½% and 4% Bonds—Robert N. Tuller, Senior Partner, Robert N. Tuller & Co., New York City. (Page 2)

G. M. LOEB
Partner, E. F. Hutton & Co., New York City

New York Central

The stock I like best for six months capital gain profit at this time is very overwhelmingly New York Central.

G. M. Loeb

We are approaching the end of a very profitable year in the stock market. Powerful influences that first made themselves felt in September of 1953 have advanced many issues in a sensational manner. It is likely that the coming of 1955 will see a new pattern in the stock market and different influences creating different and new favorites. Railroad stocks should be especially benefited from expected business improvement and hence increasing profits. As time goes on, the superior tax shelter enjoyed by many railroads will be important.

Thus, it appears as if the background for improvement in New York Central is a favorable one. The change of management which occurred last Spring has so far had to work against the tide with all railroad gross lower than last year. There are signs now that a gradual improvement in gross is likely.

New York Central is one of the great properties of the country. Its gross income in 1953 was approximately $825 million. There is terrific leverage first in the operation of any railroad and then again in the financial set-up of New York Central with over a billion dollars of debt and less than 6½ million shares of stock. This leverage means that should normal railroad revenues increase the net income per share must necessarily gain at a much more rapid rate.

However, there are far more potent factors at work improving the New York Central situation, namely the new ownership and management headed by Robert R. Young and Alfred E. Perlman, supported by Mr. Young's own selection of a sympathetic board of directors. This new team together with their friends and associates have laid their own money on the line to buy New York Central stock because they think that with their management a large profit can be made. Ownership management is comparatively rare in the railroad field. Financial management such as the New York Central now has is also rare. Too many railroad top executives came up from the ranks and own a trivial amount of stock. The result is often overdeveloped interest in the mechanics of railway operations to the neglect of profits.

New York Central has fallen to a very low estate indeed. Back in 1929 the stock earned over $16 a share, paid over $8 a share and sold well over $200. As late as 1949 it sold at approximately its 1932 panic low of around $9, even though the rest of the country was at a far more prosperous level.

In a sense, the more things that are wrong with the Central now the more scope for improvement by the new management. As time goes on I think that first New York Central's gross will increase along with general railroad revenues. The new management will be able to make profitable changes in the financial set-up. They will also be able to effect vast economies. In October of this year, for instance, the gross of N. Y. Central declined $14 million but the decline in net was held to only $1⅓ million. Later the service will be improved and, still later, when Central has something to offer in the way of superior service, they will go out to increase their share of the total available traffic.

It will probably take from two to five years to reorganize this vast aggregation of railroad property and real estate. Mr. Young and Mr. Perlman and their handpicked associates are the people who can do it.

In the meantime the first annual stockholders' meeting since the change will occur late next Spring. I think enough progress will be made by that time to please the stockholders greatly.

Marketwise, New York Central has been in a trading range practically since January of 1951. It sold at a high of 26¼ in January of that year. It sold at a high of 26 in February of this year. A great many disappointed holders have been sellers of this stock during all this time, particularly again in the last few weeks. Stock has been passing from small hands to large or, to put it another way, from weak hands to strong.

It is my opinion that, given the expected favorable economic and market background, New York Central will be substantially higher when stockholders gather in Albany to hear Mr. Young and Mr. Perlman report on their accomplishments for the first year of their control. In time, when it is realized that a fair share of dividends for stockholders is the management's aim, the small stock sellers of 1954 will again become the buyers for income yield of the future.

ROBERT N. TULLER
Senior Partner
Robert N. Tuller & Co.
New York City

Chicago Transit Authority 3½% and 4% Bonds

When is a fairy tale not a fairy tale? When it is a Sleeping Beauty like the bargain price of the bonds of the Chicago Transit Authority. This situation is worthy of serious attention by the investor in tax-free bonds.

Robt. N. Tuller

C. T. A. 3¾s due July 1, 1978, are selling at approximately 92 and the 4½s of July 1, 1982, at approximately 100½. The yields to maturity are approximately 4.25 and 4.45 respectively. These prices and yields should startle the investor when the full story is told. A quick explanation of such yields might be as follows: prejudice against the word "transit" and transit securities, declining trend of surface riders in recent years, mistaken identification of Chicago's transit problems from the period 1920-1947 to present conditions 1947-1954, erroneous belief that the private auto can do the public transportation job, unfavorable public press (until recently), belief that one transit problem is like another, and finally, ignorance of the law creating the C. T. A. as a non-political independent body controlling its own operations and fare.

To properly understand C. T. A., one must realize that there is no other public transportation system like it in the United States. Familiarity with the transit problems of New York, Philadelphia, Detroit, Boston, etc., does not supply a knowledge of C. T. A. One must keep in mind that C. T. A. is charged **by law** with providing public transportation at cost after proper reserves and is given by law the tools to do the job. Where else is this done in this form? Answer, nowhere in the U. S. A. So much for the law; will the economics of the case justify the argument?

Could Chicago go to work or recreation without public transportation? Could the private motor car do the job? The answers are a strong NO! The private motor car coming into the Loop area is today carrying less than two passengers on the average. The logistics of mass transportation in a congested city strongly favor public vehicles especially in the so-called channelized traffic routes. Let's go back to some of the prejudices. While the number of elevated passengers has recently shown an **increase**, there has been a decline in surface passengers in recent years both on a national and Chicago city basis. Mind you, we are discussing number of passengers — NOT the revenues. Could C. T. A. increase these passengers? Certainly yes. A substantial cut in the fares would increase passenger numbers, but only at the true expense of the owners who are The People of Chicago. The fare must be kept at that level which supplies the greatest numberof the riding public with a decent and solvent service.

What ever the sordid history of private transportation in Chicago during the era 1920-47, the record 1947-54 stands out in bold (and fortunate) relief. Witness these facts during this period.

(1) $90 milion spent or earmarked for modernization.

(2) Effective debt retirement of $11 million.

(3) Acquisition of all competitive lines thus giving C. T. A. a unified system.

(4) Coverage of maximum future debt service ($8,338,005) now running about two times before depreciation.

Finally, a most important fact. Were the years 1947-54 a bed of roses for management? They were NOT. Management had to face and act on seven changes of fare. Management faced and acted on a wage scale which rose from $1.42 per hour in 1947 to $2 per hour as of Jan. 1, 1955. Management met this last challenge through cutting costs (without impairing service), by modernizing, and by lowering the number of employees from 22,407 in 1947 to 16,265 on Oct. 31, 1954. I submit such a record shows a real ability to function under a law

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Service Operations in The Electronics Industry

By C. M. ODORIZZI*
Executive Vice-President, Corporate Staff
Radio Corporation of America

RCA executive, in discussing developments in the electronics industry, points out that servicing operations are now producing an important percentage of the industry's income. Says such servicing as installation and maintenance of electronics equipment is increasing the industry's growth. Forecasts that by 1957 this service income will reach $2.7 billion annually.

When considering an industry such as electronics, which is in a constant state of change because of advances and improvements resulting from research and engineering, full regard must be given to the shifting tastes of the consumer and the trends of the times. For instance, it must be evident to any student of industrial economy that some electronic products already have reached the peak of their appeal; others, such as color television are only at the threshold of their growth. Still others have reached a point of stability and are likely to continue at their present volume for an indefinite time.

Charles M. Odorizzi

All of you will recollect how the television industry made its spectacular advance from a mere $1 million in 1946 at factory prices to its peak of $1.4 billion in 1950. By 1957, a year when color television is expected to be making rapid progress, black-and-white sales are expected to drop back to less than $400 million. By that time, it is estimated the industry factory billings of color sets will be near the billion mark. Thus, the estimated total of television set sales to the consumer, namely 6.4 million units in black-and-white and color, will then be approaching the total sales of 6.6 million units reached by black-and-white sales alone, in 1950.

Government Purchases to Increase

Government purchases of electronic equipment, which will total $2.5 billion for the industry this year, are estimated to increase to approximately $2.9 billion by 1957.

In only one broad classification of electronics, that of automobile radios, have industry sales seemed to have reached a condition of stability. For several years auto radios have maintained annual sales slightly in excess of $100 million, a total that is likely to remain constant for the next few years at least.

The majority of remaining classifications in the electronics field provide food for thought for the optimist. These include the sales of repair parts and replacement tubes, broadcasting and communications, industrial and commercial equipment, service and installation, and, of course, color television.

Let me give you an idea of the potentials of these groups by comparing the industry's going rate with rates projected into 1957.

Repair parts and replacement tubes, which will gross about $250 million this year at factory prices, will total $453 million in 1957. The present and future totals for the broadcasting and communications industry are $1 billion and $1½ billion, respectively. Industrial and commercial equipment will increase from $274 million to $520 million; color television, now a mere infant, will expand to $950 million in four years, and servicing and installation will represent a large sales factor.

While I am on this subject of expansion, I should like to mention the activities of RCA in countries beyond our borders.

Television Important in Export Business

Television is a big part of our export business. More and more countries are adopting this means of mass communication and education. In 1951, RCA was the first firm to sell a TV transmitter to Mexico. Today, RCA equipped stations are located in Mexico, Cuba, Puerto Rico, Dominican Republic, Brazil, Venezuela, Canada, Philippine Islands, Hawaii, Italy, Thailand and Japan. Furthermore, the fact should not be overlooked that all of these new transmitters open new markets for TV receivers.

The U. S. Air Force is bringing TV to certain military areas at home and overseas as a morale factor. We developed a low-power "pocket-size" transmitter for the pilot station, in cooperation with the Air Force, at its base in Limestone Maine. U. S. Air Bases in the Azores, North Africa and elsewhere will have TV and they will aid the overall expansion of TV on foreign soil.

Communications, including television, is a vital word overseas. Microwave, radio relay, mobile communications, broadcasting, television—these are the instruments of government, of education, of industry, of security. They are weapons in the battle against communism. We have had the privilege of helping to build communications facilities in Pakistan, Burma, Canada, Thailand, Israel, Indonesia, Japan, Belgian Congo, South Africa, Dominican Republic, Colombia and other countries. It becomes evident that there is an increasing interest in improv-

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*From an address by Mr. Odorizzi before the Cleveland Society of Security Analysts, Cleveland, Ohio, Nov. 23, 1954.

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Geiger Gaga

By IRA U. COBLEIGH

Enterprise Economist

A much needed perspective on the sensational spate of new uranium exploration company shares hitting the market; their characteristics and prospects.

This piece was inspired by last week's "Chronicle" — specifically the regular weekly feature tabulation entitled "Securities Now in Registration," meaning, of course with the Securities and Exchange Commission. That list of such company registrations totaled 197, and here's the dramatic thing about it — 66 of these issues were uranium companies. Many of these were Section A forms, that is for companies seeking less than $300,000. Now isn't that something! One third of all proposed underwritings are in the most hazardous, the most uncertain sort of security—many of them in the penny category. This startling phenomenon surely deserves some comment here, both by way of protection to potential buyers of some of these presumably radioactive certificates, and some insulation of the financial community against the bleats, certain to come, of persons, impelled importantly by a "get-rich-quick" philosophy, into securities which are in reality long shot gambles.

Ira U. Cobleigh

Let's start off with a few positive statements that can be made about uranium before we go into the argument about some of these hopeful pieces of paper offering themselves as corporate equities. It cannot be denied that Uranium is a magic word denoting the most awesome and powerful source of energy man has yet come upon. Further it has set in motion the most fantastic speculative mania, since the gold rush of '49—1849 that is. Prospectors from every walk and talk of life are combing the hills and gulches of the Colorado Plateau hoping their Geiger counters will lead them to riches. And for those unable or unwilling to mush through the mountain mesas, there's always the Salt Lake City stock market where as many as 7 million U-shares have changed hands in a single day's trading.

Another thing, uranium is not a rare mineral like gold, or platinum; but is actually found all over the world. Only trouble is in most places it doesn't get concentrated enough in ore to justify the costs of mining and transportation. Fact is you could probably get a few random clacks on a Geiger counter if you strolled with one through Central Park.

The final and compelling reason for all this uranium rush by prospector and prospectus, is, however, the fact that Uncle Sam has already spent $13 billion on atomic energy; and to date uranium is the one indispensable element in its creation. Accordingly, the U. S. Atomic Commission is agreeing to buy all the commercial grade uranium ore offered and it agrees to do so at a most rewarding scale of fixed prices (from $14 to $100 a ton depending on quality) until March 31, 1962 (and probably long after). So with the wealthiest nation on earth making attractive and firm prices for the next 7½ years, it's only natural for persons and corporations with initiative to go big for the deal. That brings us up to uranium securities in general.

Assuming that you don't choose to go out prospecting and claim staking yourself, as your hopeful road to wealth, you probably have said: "What stocks can I buy that aren't rank sweepstake tickets?" Actually there are quite a few. Here are some actual (and highly reputable) producers of the stuff right now: Vanadium Corp. of America, Climax Molybdenum Corp., Homestake Mining, Union Carbide, Anaconda Copper, Dome Mines, Kennecott Copper, National Lead, and Union Pacific Railroad. Other smaller and less well known enterprises, but where uranium production is the main business, would include Consolidated Uranium, Four Corners Uranium, Continental Uranium Corp. and a Canadian leader, Gunnar Mines Ltd.

Here, further, are a number of companies that have been, or are now going through the exploration and development stage, drilling and blocking out ore bodies; and that have announced plans for entering actual production in 1955: Lisbon Uranium, Standard Uranium, Algom Uranium, Federal Uranium and Arrow Uranium. *(This list is incomplete, selected at random, and is presented without any representation whatever as to quality of security or potential gain or loss. Get the prospectus for any information about any one.)*

Now after you go from the major, mature, enterprises to whom uranium production is essentially a side line, and have moved along to smaller companies either now producers, or potential producers within the next 12 months, your next progression is to the most speculative category of shares—the penny development shares — which gave rise to this article in the first place. What sort of companies are these anyway? What are their chances of (a) survival and/or (b) success? Is their offering and sale to thousands of individuals (for many it's their first stock purchase) doing harm to the larger, better known security brokers and dealers, few of whom have underwritten securities like these?

Answering these queries as we go along, we find many of these companies local in character, formed after a few individuals have staked out one or more claims (a claim in the Colorado Plateau is 1500x600 feet or about 21 acres). Then they think they have a future mine, but they can't be sure until they survey a lot more, and drill perhaps down to 700 or 800 feet. All this costs dough—which they haven't got. So they incorporate a company and get an underwriter to sell shares. And they're pretty romantic about the names of the enterprises.

Nearly all of these issues are incorporated in a Plateau state. Standard practice seems to be to issue 2½ to 3 million shares and to offer same at 10c. Thus, a buyer with $1,000 to put on the line, can become quite a big time shareholder, numerically speaking, with 10,000 shares of certificate engravure standing in his name. And if the issue gets a lot of bullish board room rumors, it's not uncommon to see a stock in Salt Lake City rise from 10c to 25c in a single day. This quickie capital gain potential is a magnetic lure.

The prospectus (if he reads it) in most cases should bring the speculator down to earth. Here's a standard type of descriptive prose: "Bleary Baboon Uranium Corp. has no operating history. It owns an undivided interest in 14 unpatented mining claims in Belch Gulch, Nevarado. The purpose of this financing is to carry on further development work on claims owned. There are no known bodies of commercial grade ore; but exploratory work done to date provides definite indications of the presence of radioactive minerals. There are producing uranium mines within 19 miles of company's claims."

Even such disclaiming paragraph as the above, serves seldom to dissuade the eager and greedy buyer; and the fact that he knows really little or nothing about the company or its management; or that it may be offered by a firm which lacks any long standing reputation in the brokerage or security business doesn't bother him at all. Yet if he loses, he'll probably put the blame not on his own cupidity and stupidity (where it belongs) but on that ever popular Whipping Boy, "Wall Street."

O.K., so thousands are devil beat to ignore the advice of seasoned brokerage and investment men (who'll tell them their chance of winning is 1 in 50). They've got a hatful of cash to risk. What should we tell them to look for in the promotional companies in which they seem avid to become shareholders?

Well, first of all, the company claims owned should have been examined by a good lawyer. There's some claim jumping going on, and there's going to be a lot of litigation over disputed claims. Second, the prospectus should display the report of a reputable geologist indicating that the underlying rock structures, and adjacency to proven mines, suggest the existence of good commercial ore. Third, there must be enough money raised to close-drill and block out ore; to prove up enough pay dirt to justify actual mining operations later on. Fourth, the claims should not be too remote from transportation, or down the side of a cliff where it's tough working. Fifth, somebody in the company should be a trained geologist or mining engineer. Management should not be a bunch of peasants; and directorate should be composed of men of substance, repute, and some record for business success. Such men will not be attracted to the board of a shady enterprise.

Finally, see how many shares are outstanding; and see how many options to buy stock (which may dilute outstanding shares) exist. Even with satisfactory conditions on all the above counts, the venture is still speculative.

If, however, attention has been given to these points, especially management, it is possible to select a company with some hope and promise. Dozens have made young fortunes for early subscribers—ones like Pronto, Algom, Gunnar, Utex Mines (Charles E. Steen's company whose shares ran from $1 to $175 in a year's time), Preston East Dome, etc.

Editor's Note: A new book on the subject of uranium investments, entitled "A Killing in Uranium," written by Ira U. Cobleigh, has just been published.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the country-at-large in the period ended on Wednesday of last week showed a slightly higher tendency. However, it continued at close to 1% below the level of last year's output.

Although there was a sizable decline in total claims for unemployment insurance benefits in the most recent weeks for which information was available, this improvement was less significant than it appeared because of numerous exhausted benefit rights and rescheduling of claims reported. Continued claims in the week ended Nov. 6 declined by 56,000 persons, while initial claims dropped by 19,000 in the week ended Nov. 13.

Labor turnover statistics indicate "an improved employment picture," Labor Secretary Mitchell reported. The factory hiring rate, which usually declines during the month to mid-October, rose by two employees hired per 1,000 employed—to a rate of 36 per 1,000. Auto industry recalls for 1955 model production were chiefly responsible for the contra-seasonal gain, the Bureau of Labor Statistics stated.

Despite the rise in hiring, the October rate "was low compared with recent years," the Bureau noted. The 36 per 1,000 rate was the lowest for the month since 1937, except for October, 1953, when it was 33 per 1,000.

The over-all rise in hiring over September reflected mainly a jump of 27 per 1,000 in hiring in the transportation equipment (auto) industry, to an October level of 67 per 1,000. Layoffs in the same industry dropped from 37 to 22 per 1,000 in the September-October period.

Over-all, layoffs at 15 per 1,000 were above the post-war average for October. In October, 1953, the layoff rate was 18 per 1,000 but the year before that only seven per 1,000.

The sizzling speed of steel market recovery continues to knock all predictions into a cocked hat, states "The Iron Age," national metalworking weekly, this week. Production is gaining faster than the forecasters can belatedly revise their outdistanced predictions, it declares.

But as fast as production is gaining, it is still not keeping up with the torrid pace of new orders. Despite very careful screening by the mills, new orders are being accepted so fast that delivery promises are being extended on nearly all products.

An important new development in the market, points out this trade authority, is that some automakers have now started placing orders beyond the normal lead time (lead time is the time between placing of order and delivery of steel). Previously they had been rather complacently depending on mill suppliers to hold space open for them on their rolling schedules in anticipation of actual orders to be placed later.

But, it continues, the mills are facing mounting pressure from other customers who are willing to place orders far in advance of needs in order to be sure of getting steel when they need it. The result is a turnabout in the market. Mills are informally allocating sheets.

Some customers in the Midwest are ordering 90 days ahead of delivery, some are even willing to place orders 120 days before delivery. But such orders are being scrutinized very carefully by mills who are wary of "paper" orders that might be cancelled later if the steel isn't needed.

Thanksgiving festivities dropped last week's domestic vehicle production 16% under the previous week. However, all plants were back in operation on Friday, Nov. 26 as the Nov. 22-27 count rose 88% above the same 1953 week.

"Ward's Automotive Reports" estimated the past week's car

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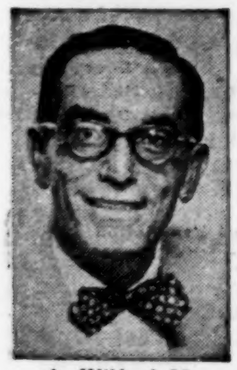
Observations . . .

By A. WILFRED MAY

"WHICH FUND FOR YOU?"

The long rise in the stock market, to the intensified accompaniment of pitfalls, together with the increasing popularity of the investment company, points up the importance of the investor's problems concerning the selection of a particular fund or funds.


A. Wilfred May

Of course, the initial choice confronting the investor is whether he shall buy a closed-end unit giving him the advantage of cash-in-ability at asset value; or on the other hand, a closed-end company without a buying charge and at a price evidencing a sizable discount from asset value—the latter affording him, in addition to the possibility of future appreciation through closing-up of the discount, the immediate advantage of enhanced investment income yield with reduction of management expense.

The general selection problem is touched on in a relevant chapter, "Which Fund for You?" in a new book *WHAT ABOUT MUTUAL FUNDS?* by John A. Straley.

Mr. Straley points out that the four *desiderata* of an investment program, namely, safety, income, appreciation, and marketability cannot all be garnered in a single fund (or through any other investment medium). So the fund buyer must primarily decide which one or two of these attributes he wishes most. In other words, you must determine your basic objective—which may involve diversifying among several objectives.

In the opinion of this columnist, the objectives should be investment aims, and not family, educational or social benefits, excepting insofar as they may flow from the yield reasonably to be expected on investment grounds. To buy a stock for either a future life of fishing, or for one's children's education, as such, is to put the cart before the horse.

Getting to grass roots of investing selection, Mr. Straley points out the primary consideration that there are available stock funds, bond funds, balanced funds, and specialty funds, which can be identified from the prospectuses and annual statements.

After one has decided on the category of fund desired, the question still remains as to individual unit selection, as among the common stock companies. As Arthur Wiesenberger says* "The investor's problem—and the investment adviser's responsibility—is to match the investment purpose with the appropriate investment company." This might be a high-leverage company to combat inflation, or defensive funds, or single-industry participation companies, which enable the investor to buy a cross section of such industries as chemicals, aviations, metals, etc.

The Tempting Resort to Hindsight

To the average investor seeking the perplexing solution to the problem of selecting a particular common stock fund, it is, of course, tempting to lean on the readily available *past performance* demonstrations. In engaging in the fascinating mental pictorialization of projecting the past into the future, how easy it is to disregard the variables, imponderables, and general pitfalls, which make not only the capital gain but the record therein largely fortuitous! The use of hindsight is always a convenient way out of investing difficulty!

Just one example of a performance record distortion is the effect of the unpredictable varying ebb and flow in the market valuation of particular security groups or individual issues in which a fund may have a disproportionate stake ("every dog has his day"; or, a lot of blue chips are inclined to fade in the sun).

Past management record, of course, is not completely valueless as tool. Some managements are permanently more skillful than others; a portfolio under the direction of an experienced administrator being a more desirable receptable for your money than a bull market pool newly organized by dress manufacturers.

But appraisal of the operations, particularly on a comparative basis, of investment management confined to the truly expert and conscientous echelon, cannot be scientific or precise; and assuredly is less certain than conclusions about the achievements of the managers of an industrial concern whose sales and other operations are much more closely under their control.

If the funds' past performance is used as a guide, it should be employed as just one of several tools. And the interval of measurement should be one in which the terminal points of the stock average used for comparison are identical. Unfortunately, because of the market's 1951-54 ascent to an area not touched since 1930-29, only the long-term period from 1937 to as far as early 1950 (at both of which periods the Dow Jones Industrial Average was 190) can be used for this purpose.

The Volatility Test

In any event, by far the most scientific comparative performance tool is constituted by seeing how managements perform in both bull and bear markets, as indicated by the funds' relative-to-Dow Jones Average (unity) *volatility*—that is fluctuation—during a reasonably long series of up and down market swings. The fund or funds whose amplitude of fluctuation is greater on the up than on the downside, or comparatively so, should be regarded as having evidenced the most favorable performance.

Making comparison midst a bull or bear movement in the absence of such method, the aggressive funds derive windfall benefit from a market rise, and conversely, the defensively managed companies benefit unfairly from a downward market change. Volatility measurement solves the problem of showing results through both the bull and bear vicissitudes.

Other Constructive Criteria

And useful quantitative criteria are available for fund selection. Comparative analyses of the management expense item

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*Investment Companies 1954 ed., p. 24.

New Factors in Business Outlook

By JAMES E. McCARTHY*
Dean of the College of Commerce
University of Notre Dame, Indiana

Describing the economic prospects for the long-run as "good," Dean McCarthy points out that new forces and new pressures have been building up that can have a powerful effect on our people. Says a varietry of changes are taking place faster than ever before, and this country today faces major needs in upgrading everybody's standard of living, so as to greatly expand our economy. Cites factors which point to larger investment and spending in the future, and concludes that only remaining need to establish a sound economy is confidence.

In looking through one of the current magazines the other day I noticed that a group of insurance companies is using in one of its advertisements a quotation from Patrick Henry which all of us remember from our grade school days: "I have but one lamp by which my feet are guided; and tnat is the lamp of experience. I know no way of judging the future but by the past."


James E. McCarthy

This is as good a point of departure as any, if I may add one or two qualifying observations that I have found it useful, and perhaps even wise, to make by way of introduction on occasions such as this. I can claim no extraordinary sources of information. I have no pipe lines to persons in high places. I have no pat answers to the problems that plague us all. I can give no assurances. I cannot say that this, or that, is or is not going to happen. I can only try to figure out, with what I hope is common sense, the general pattern that seems to be indicated.

Even this modest task involves some risks because, Patrick Henry to the contrary, the future cannot invariably be judged by the past. Not in our day at any rate, when so many economic and political developments have relatively little precedent. In a way, it is like a game in which we make up the rules as we go along. I suppose that this is a condition that we cannot escape in an era that has been so widely characterized as one of unrest and anxiety.

I shall try to be objective. We have been bombarded with too much rationalization and wishful thinking in the various political campaigns which reached their climax in the elections on Nov. 2.

We know from experience that even a fairly well seasoned campaigner can make his statistics demonstrate just about anything he wants them to. I am reminded of a former United States Senator from Indiana. I shall not name him, but he was one of the last of the old free-style, free-swinging orators, a spell-binder who always spoke without manuscript or notes. After one of his better efforts he was being congratulated by a constituent who said admiringly: "Senator, I don't see how in the world you can remember all those statistics." In a rare burst of confidence — or candor — the Senator replied: "Remember them? My boy, I don't remember them. I just make them up as I go along."

I don't know but that I prefer the Senator's method of complete fabrication to that of the political Messiahs whose slick half-truths and outright untruths are handed down to us as if they were coming from Mount Sinai. Somehow or other I occasionally have the uncomfortable feeling that beneath his consecrated veneer the political Messiah is less interested in saving me than he is in preserving his place in the limelight and, incidentally, on the public payroll.

Unemployment Figures

The cavalier use of unemployment figures is a good case in point. When an economist or a politician tells us that a certain number of millions are out of work, he is giving us an isolated fact that may mean anything or nothing. If he is honest, he will give us some other figures that we can use as a basis of comparison. We may be impressed when we are told that according to the latest figure unemployment stands at 3,000,000. But what percentage is that? How many employables are there althogether? Is unemployment increasing or decreasing? What are the unemployment figures for a year ago, or five years ago?

Since political capital has been made of unemployment, it seems only fair to point out that in 1939, after six years of new dealing panaceas, one person in five was out of work—almost 12,000,000 out of 55,000,000. In 1950, before the Korean misadventure began, about 5,000,000 were unemployed. The current figure of 3,000,000 is out of an available work force of 65,000,000, or about one out of 22.

It is true that unemployment has been serious in certain areas —Detroit and South Bend, for example; but it is also true that the number of unemployed is gradually being reduced. As "Time" magazine commented last week, "Few economists believe that the U. S. (or any other nation) can maintain "full employment"—i.e., an employment figure below 2,000,000 or 3% of the labor force—without chronic inflation or a severe regimentation of business and labor."

What has been going on in our economy has been giving severe headaches to the economists and others who like to see things in convenient black and white—or perhaps I should say black and red. The old convenient grooves are being vacated, perhaps, as Sumner Schlicter says, because the United States economy has become so complex that the parts no longer necessarily move in the same direction all at once.

Has there been a recession? Yes, there has been, but it was milder than the optimists hoped and the pessimists feared it would be.

It was difficult to analyze. Employment stayed high. The gross national product dipped only a little under the all-time high and remained well above the 1949 level. Industrial production did not drop as much as it was expected to—not more than 10%, which kept it comfortably above the 1949 mark.

The year 1949 provides a convenient peg for comparison because in 1949 in his midyear economic report, after citing the number of unemployed (3,800,000), a decline in industrial production to 13% below the 1948 peak, and a reduction of 8% in farm income below the first half of 1948, President Truman said, "These facts show that our economy is still operating at a high level."

During the recession several usually trustworthy barometers refused to react normally. A number of industrial indexes did not decline at all. Stock prices rose to a new high—highs since 1929, of course. Heavy engineering contracts rose to a 33⅓% above last year's figures. Steel, having reduced its inventories by more than a third from the peak in the third quarter last year, reported a comfortable increase in orders.

Thus far I have been looking backward, laying a little foundation, and before I continue I should like to say this as a matter of justice: Unquestionably one of the reasons that the recession was mild rather than severe was that the government's fiscal policy anticipated it. Something more than a year ago, as you remember, when prices began to get out of line, the government acted to put the brakes on credit, and then, when the restrictions had had the desired effect, liberalized the housing laws. This liberalization, together with a $7.5 billion tax cut got the economy back on a relatively even keel.

Some Significant Changes

There have been significant changes in the Washington atmosphere since the Republican Ad-

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*An address by Dean McCarthy before the Mid-Continent Trust Conference of the American Bankers Association, Chicago, Ill.

A Comprehensive View Of the New Tax Code

By VICTOR R. WOLDER*
Attorney at Law, New York City

Mr. Wolder discusses salient points in the new Federal Tax Code, along with the judicial decisions, rulings, and regulations, as well as the administrative handling of tax matters. Points out the big differences in the Revenue Act of 1951 and the new Tax Code, lately enacted by Congress, lies in the arrangement of the law and the simplification of certain tax problems.

Many years ago the Supreme Court of the United States said that a man may so arrange his affairs that his taxes shall be as low as possible. He is not bound to choose that pattern which will best pay the Treasury. Nor does he have a patriotic duty to increase his taxes. Congress, on the other hand, is always betwixt and between on the subject of whether it should give tax relief or plug the loopholes. The pattern Congress followed in the new Internal Revenue Code is a good example of this. But then again, the pattern has been the same in the last few major changes in the tax laws. The Revenue Act of 1951 is a good example. The big difference between the 1951 Act and the new Code lies in the rearrangement of the law. Perhaps Congress believes it has simplified matters. In a great many respects it has. Over the years, however, the proof will be in the eating.

Victor R. Wolder

My talk is not just confined to the new Code. There is much to the law of income taxation beside the new Code. All the judicial decisions, the rulings and the regulations, plus the administrative handling of tax matters, must be considered. To be a good tax man does not mean that a person must know every word of the law or all the changes which have taken place. Perhaps it is more important if there exists an awareness to the many possibilities and opportunities which present themselves.

Depreciation

A most forceful example of this touches upon a comparison of the advantages of depreciation deductions against amortization of leasehold improvements, and vice versa. The subject of depreciation is set out at length in the new Revenue Code. The subject of leasehold amortization is not set out in the Code, but rather is to be found in the adjudicated cases. Then again, in both instances, just how well a taxpayer will "make" out under either method depends on his ability to handle and negotiate the matter in dealings with representatives of the Treasury Department.

The New Code, with respect to all assets coming into existence since 1953 or commencing their original use subsequent to that date, in most instances, permits them to be depreciated either by the straight line method, the declining balance method, the sum of the years digits method, or by any other fair method. The taxpayer has the right to elect which method. How each method operates, I am sure, is known to all of you.

The proposed regulations which the Treasury Department has promulgated do not tell much more than the law itself. There are two things apparent, however. The regulations, without any reservations, seemingly approve that the declining balance method may be used at the 200% rate of the straight line method. These regulations also give a good example of the practical use of the declining balance method with respect to a composite group of assets which are subject to the same basic rate of depreciation, particularly where the taxpayer is constantly adding or removing assets from the group. You can add assets to the same composite group under the declining balance method, but you cannot add an asset to a group when the sum of the years-digits method is used.

Amortization of Leasehold Improvements

Of course, when a taxpayer is to acquire a new plant, one of the best ways of stepping up the rate of depreciation is through the media of leasehold improvements. The New Code does not tell you this. But the judicial decisions do. If a corporation instead of building its new plant on ground owned by it will construct the new plant on leased ground, then the corporation may amortize the cost over the original term of the lease. One exception is that if the lease has a renewal period, then the amortization must also be spread over the renewal period, if the renewal period has been exercised, or if there is a reasonable expectancy that the renewal option will be exercised. Thus a building with a 40-year life, if erected on a leasehold, the original term of which is 15 years, can amortize the cost in 15 years instead of depreciating it over 40 years. This same rule applies even though the land is owned by the same persons who own or control the tenant corporation.

The one thing to watch out for here is to carefully set forth a business reason for handling the transaction in that manner. Usually the business reasons are self-evident. This media, in addition to obtaining the quicker rate of amortization, also reduces the accumulated surplus of the corporation. At the end of the term of the lease the controlling stockholders own the land with the building on it. The value of the building is not income to them. There is a specific law in the code to that effect. Of course, if the owner of the land sells the land with the building on it, the gain would reflect itself in the sales price.

In one very recent case the tenant corporation entered into a lease with the controlling stockholders. The original term of the lease was seven years, eight months. There were two renewal periods of 10 years each. The lease provided the tenant was to improve the premises at a cost of $250,000 during the original term of the lease, and to the extent that it failed to do so, then at the expiration of the original term the tenant was to pay the landlord as additional rent the difference between the $250,000 and the sum it actually did spend. As it neared the end of the term of the lease the tenant had not expended any portion of the $250,000. Nevertheless, the tenant was amortizing the $250,000 over the original term of the lease. The Commissioner of Internal Revenue threw out the deduction, contending that the $250,000 could not be amortized so long as the monies were not actually spent.

Further, the Commissioner said that if it could be amortized, then it would have to be spread over the two renewal periods as well as the original term. The court held that since the tenant was unequivocally bound to spend the $250,000 or to pay the difference to the landlord, it had the right to amortize the cost thereof. Further the court found that there was a reasonable expectancy that the first renewal period of the lease would be exercised; therefore, it directed the tenant to amortize the $250,000 over the original, plus the first renewal period; or a period of 17 years, 8 months.

Writing Off the Cost of Machinery As a Business Expense

Apropos of this, I may point out a decision which came down just the other day which said that when a tenant under the terms of the lease must make any restorations of any machinery and equipment which are part of the leased premises, the tenant can write off the cost thereof immediately as a business expense. It does not have to amortize or depreciate the cost over the term of the lease or the life the machinery and equipment.

Administrative Policy in the Bureau

On the administrative end there is always the matter of different interpretations in different tax districts. For example, in a period of about six months time, I had been engaged by several different companies to prepare employee's tax exempt profit sharing plans. One company was in New York, one in Washington, D. C., a third in Norfolk, Va., and two in Detroit. This meant that I had to obtain approvals as to qualification of the tax exemptions from the District Directors' offices in New York, Baltimore, Detroit and Richmond. All the plans were basicly the same, with merely variations as to the qualification of the number of employees covered, the formula for computing the contribution by the employer, and the provisions for payment to the beneficiaries. Everything else was the same. Yet, each of the District Directors' offices interpreted the same clear and unequivocal language in different ways. And each District Directors' office made us make changes of language because each of them in a sense interpreted the meaning of the law and the meaning of the Commissioner's regulations in a different way.

When you would argue that another district office approved the language you were using, it wouldn't necessarily help or mean a thing. Of course, having the same problem before several different district tax offices gives the taxpayer's representative a better opportunity of having a broader viewpoint on any individual problem.

FHA Windfall Cases Borrowed Money Is Not Income

One tax problem which has had considerable public and private attention in Congress and the newspapers has arisen out of FHA "windfalls." By and large, I think the taxpayers have received a rough deal. I do not mean "John Q. Public" as the taxpayer. I mean the one who was the recipient of the loan. In most instances, the FHA insured a lending institution on a mortgage loan that the lending institution made to a building corporation. If a loan was a million dollars and the entire cost to the builder to put up the project and pay for the land was $900,000, the builder had a so-called "windfall" of $100,000. The government has now come along and contended that this $100,000 may be income to the corporation.

Of course, the government's contention is against every principle of tax law that has ever been made or adjudicated on the subject. Borrowed money does not constitute income. It has to be repaid. It is no different from the many situations which have arisen where a man bought stock on the Exchange for $1,000. The value of the stock increases to $5,000; then the man goes to his bank and borrows $2,500, using the stock as collateral. No part of the borrowing becomes income even though it may be a long-term loan.

Dividends

Another contention made by the government with respect to FHA "windfall" profits has been that if the corporation made a distribution of the "windfall" profit, before the corporation had any earnings from its operations then the distribution should be considered as ordinary income, instead of capital distribution, return of capital or capital gain. The income tax law is very clear that for a dividend distribution to be taxable as ordinary income it must come out of the profits of the current year or out of accumulated earnings. Well, if a corporation does not have any current years earnings and if it has no accumulated earnings, then any distribution of a non-taxable "windfall" profit should first be applied against return of capital and any excess should represent capital gain. Just what the theory is behind the government's contention, is a real mystery.

Of course, we have to remember that under the new 1954 Revenue Code, distributions made since June 22, 1954, out of "windfall" profits on loans insured by a government commitment will be taxable as ordinary income. Personally, I doubt if the Section of the law affecting this problem is constitutional. Time will tell.

Collapsible Corporations

Before I get off of the subject of "windfall" profits, I should relate how it ties in with the rule concerning collapsible corporations. A great many people still think that in order for the collapsible corporation Section to come into operation, it was necessary to liquidate, or in other words, collapse the corporation. The Section can become operative by the sale of stock in a so-called collapsible corporation, as well as by collapsing it. This law was passed a few years ago in order to tax as ordinary income profits which otherwise would be taxed as capital gain.

A man would produce a motion picture. The finished picture would have a much greater value than its cost. Sometimes the principal actor, director and writers would own stock in the corporation. They would then work for the corporation without charge. After the picture was finished, they would then collapse or liquidate the corporation. They would pay a maximum tax of 25% on a long-term capital gain. Then when they distributed the picture, the profits they made, to the extent that they had reported capital gain on the liquidation of the corporation, would come in tax free. Otherwise, the profit which they made would have been taxed first to the corporation, then to themselves personally on the distribution, all as ordinary income. Perhaps where the taxes previously may have been as much as 80 or 90 cents on the dollar, they were reduced by this method to 25 cents on the dollar.

The collapsible corporation law also provides that if the owners as soon as they finished the motion picture, or built the building or made the contracts, etc., whatever it was which was going to give rise to the income—sell the stock of the corporation instead of collapsing it, then what would otherwise be capital gain in their hands becomes ordinary income.

Thus, in one matter I handled, the taxpayer was an individual who formed a corporation. The corporation built a large apartment house and made an FHA "windfall" in excess of a half million dollars. The apartment house project was very successful; and threw off a good income. The taxpayer had an offer from an investor who wanted to buy the stock of the corporation for $900,000. This would have given my client a $900,000 profit. The collapsible corporation law said it applied to sales made within three years after the project was completed. Only one year had passed. The question was whether the collapsible corporation tax would have applied to this transaction. If it did, the tax would have been about $800,000. If it did not, the tax would have been only $225,000.

I tried to get a ruling from the Treasury Department that the collapsible corporation Section did not apply. This we before the FHA scandals broke in the newspapers. The revenue agents, the reviewers, and all the necessary officials of the Treasury Department agreed that the Section did not apply. They prepared a written ruling to that effect. But in the final analysis the Acting Chief Counsel of the Treasury Department said that he agreed with the ruling but wouldn't sign

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*An address by Mr. Wolder before the Albany Chapter of the National Association of Cost Accountants, Latham, New York, Nov. 16, 1954.

Monetary and Credit Policy in 1955

By PAUL W. McCRACKEN*
Professor of Business Conditions, University of Michigan

Professor McCracken reviews current business conditions and credit policies and discusses prospects for interest rates during 1955. Says public demand for credit in 1955 should exceed that of 1954, and the United States Treasury will be faced with a serious refunding problem. Foresees difficulties in way of issuing Treasury long-term bonds, and avers that a continuation of the policy of funding into intermediate maturities appears to be a useful compromise. Looks for an extension of an "easy money" Federal Reserve policy to facilitate business expansion.

The monetary and credit situation this year has generally reflected a continuation of the ease which began with the turnabout in mid-1953. Short-term rates, as might have been expected, have experienced the largest declines. The rate on U. S. Treasury bills reached a peak of 2.42% with the issue of June 6, 1953. One year and one week later the low point was reached with a rate of 0.62%—a decline of 74%. Since then bill rates have firmed up slightly with the rate on new issues slightly over 1% at the time this paper was being written.

Paul W. McCracken

Other short-term rates responded in a similar fashion to the easier credit situation. The rate on prime commercial paper during the same period dropped from 2.75% to 1.56%. And even rates on customer loans sagged modestly under the impact of the generally ready availability of accommodation.

The effects of this 1953 turnabout, of course, were quickly transmitted to longer-term securities whose yield rates promptly declined. Corporate AAA's are now yielding substantially below 3%, compared with a mid-1953 peak of 3.42. The rate on high-grade municipals is now about 30% below last year's peak, in spite of the substantial supply of new issues coming into the market.

Credit Policy and Business Conditions

These developments are generally known and require no further belaboring here. My comments, therefore, will be centered around three *interrelated questions.* What has been the impact of these developments for the economic situation? What does 1955 look like for the money and capital markets? What are some of the policy questions which we shall be hearing more about in the months ahead?

It is not so long ago that there would have been considerable disposition to question whether monetary and credit matters had much to do with changes in the level of business activity. The fact, therefore, that this topic has been given a spot on the Economic Outlook Conference program is itself significant. It suggests that monetary and credit developments do have something to do with the economic situation. I believe that they do, and I believe that events of recent months provide a fairly convincing demonstration of this point. The importance of these monetary and credit changes has been indicated in at least three areas of the economy.

(1) The inventory liquidation of the last year has been exceptionally orderly. We would all agree, I think, that this was a very fortunate development. The raw material for a more severe liquidation was in prospect a year ago. The cut-back in the defense program itself was almost certain to produce a considerable inventory run-off. For one thing inventories were relatively large per dollar of defense production for most companies. Moreover, the slack in the economy which the defense cut-back produced, particularly in manufacturing, was bound to make deliveries more regular and dependable. Many companies therefore found that the abnormally large stocks required as a hedge against delayed deliveries were no longer needed.

Indeed to call the 1953 decline an inventory recession is to overlook the fact that even in absolute terms the decline in national security expenditures has been greater than the downward pressure on Gross National Product arising out of inventory liquidation. And it was, I think this decline in national security expenditures, and its echo effects, which was really responsible for the reversal on inventory account after mid-1953.

The prompt and vigorous turnabout of credit policy in mid-1953 was therefore particularly fortunate. It meant that unlike some other recession (e.g. 1920-21) we did not have to live with the explosive combination of a congested inventory situation and tight credit. The results could have been substantially different if lending officers had been breathing down the necks of businessmen already harassed by uncomfortable stocks of goods. As it was, the inventory adjustment could develop in an orderly fashion, with cumulative pressures held to a minimum. Indeed the inventory reversal of $9.4 billion from the second quarter of 1953 to the third quarter of 1954 was only 2.5% of the prior G. N. P. peak, less than the 3.7% figure for 1948-49. This is all the more remarkable in view of the many special supports in this earlier period not present last year. For this the monetary policy turnabout of last year can assume some of the credit.

(2) Unlike most other recessions (even 1948-49) this one was accomplished by an absolute increase in the money supply. The privately held money supply is now about $7 billion above a year ago. There is, of course, a difference of opinion about how much changes in the money supply can affect the level of business activity. There should be little argument, however, with the contention that in a recession the difference between an expanding and a contracting money supply can be an important one. It seems quite clear that this continued expansion during the last year must be included as one of the factors moderating the force of the decline.

(3) The prompt and continued ease in the money and capital markets since last year have given them a new mobility and resiliency, enabling these markets to perform their orthodox allocative function. With cumulative and disorderly movements avoided, the market could divert funds to parts of the economy where needs were still pressing.

It was generally recognized, for example, that in mid-1953 the residential construction boom was threatened with starvation for mortgage funds. The intense corporate demand for funds, with rates on prime issues crowding 3½%, was inevitably tending to dry up the supply of mortgage money.

Easier credit conditions have enabled the flow of mortgage funds to be maintained. Indeed the volume of money going into nonfarm mortgages was about 5% larger in the first six months of 1954 than during the same period last year—an unusual (and helpful) development for a recession year.

Market developments also enabled a substantially larger volume of municipal obligations to be sold. In the first seven months of this year $4.0 billion of these securities were marketed, 25% above the same period for 1953. The resulting strong volume of state and local construction projects has been an important support in the business situation. Some issues were sold this year which would have had trouble in last year's market, and this means some construction activity was delayed to 1954 by developments in the credit and capital markets.

This is not to say that credit developments and policy deserve exclusive credit for the fact that the recent recession was held to moderate and orderly proportions. But it would clearly be unrealistic to say that these matters were unimportant or irrelevant.

Interest Rate Prospects for 1955

What are monetary, credit, and interest rate prospects for 1955? It is to these developments for 1955 that we must now turn.

We are fundamentally dealing with a market here—the market for money and credit. Therefore, we are really asking what the nature of the supply and demand forces in this market will be. Answering this question would be considerably simplified if we could first be told how strong the general economic situation is to be. This, of course, says little more than that each of the papers on this program could more readily have been prepared if all the others could have been available first.

It is very difficult to know whether the current flow of savings is par for the course, too low, or too high. It is lower than would be indicated by an extrapolation of the prewar relationship between personal savings and disposable personal income. This may mean, as has been suggested, a permanent shift downward in this relationship between saving and income. The prewar par may no longer be relevant.

On the other hand a flow of these savings at 8% of disposable income, the rate since 1950, seems high. The average for 1929, 1937, and 1940 (the better years of the prewar decade) was about 5.3%. This would suggest the possibility of some decline in the rate of saving for next year.

An important question here, of course, is whether this higher rate of savings is reflecting an extension of insurance programs, pension plans, and other types of *contractual* savings arrangements. If so, the relatively higher rate of savings may well be with us to stay.

That these contractual savings programs have expanded substantially in recent years is generally recognized. It may, therefore, come as something of a surprise that the flow of these committed savings is not a significantly larger share of disposable personal income now than in 1951 (see Table I). The SEC estimates of personal saving through government and private insurance programs in the first half of 1954 were 3.4% of disposable personal income, a figure which has changed very little in recent years. What we might call volitional savings, on the other hand, have shown a spectacular increase.

The forms of savings (time and savings deposits, savings and loan association shares, and security purchases) are now running at the rate of over 6% of disposable personal income, double the 1951 rate.

It is doubtful if this is a trend which can safely be extrapolated. This high rate of volitional savings is a reflection of the relatively low level of personal expenditures, particularly on durables, during this period. Business, therefore, ought to be able to attract some of these dollars back into the market place through improved products and merchandising. And my own guess would be that a very moderate reversal of this trend toward a higher savings rate will begin next year.

What about the demand for funds? There seems to be no very useful way to explore this matter other than to break the total demand for funds into more homogeneous subdivisions. Five such subdivisions seem to be particularly worth comment: short-term business credit, consumer credit, mortgage demand, business demand for long-term money, and government demand for funds. Let

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TABLE I

"Selected Components of Individual Saving "
(Dollar Amounts in Billions)

Year	Disposable Pers. Inc.	Insurance Saving: Amount	Insurance Saving: Per Cent Disposable Income	Volitional Saving: Amount	Volitional Saving: Per Cent Disposable Income
1950	206.1	$3.1	2.4%	$3.9	1.9%
1951	226.1	6.8	3.6	6.7	3.0
1952	236.9	8.6	3.6	11.5	4.9
1953	250.1	9.4	3.8	14.1	5.5
1954*	252.7	8.6	3.4	15.8	6.2

Source: Savings estimates from the SEC Disposable personal income from U. S. Department of Commerce. Volitional Savings are savings through time and savings deposits, savings and loan associations, and purchases of securities.

*First half only—savings estimates multiplied by two.

*A paper presented by Prof. McCracken at the Conference on Economic Outlook, University of Michigan, Nov. 11, 1954.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Map and Glossary—Literature—Atomic Development Securities Company, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Chemical Fertilizer Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

Equities For Investment—Bulletin—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

Foreign Investments Through the Japanese Stock Market—In "Weekly Stock Bulletin" — Nikko Securities Co., Ltd., 4,1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Life Insurance Stocks—Analysis—Wm. H. Tegtmeyer & Co., 120 South La Salle Street, Chicago 3, Ill.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Philadelphia Bank Stocks—Comparision of 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Steel Stocks—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also available is an analysis of **Fruehauf Trailer Company.**

Stocks For Christmas—Suggested portfolios—In the current issue of "Gleanings"— Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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Anaconda Wire & Cable—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

British American Oil Company Limited—Analysis—Cochran, Murray & Hay, Dominion Bank Building, Toronto 1, Ont., Canada.

Cessna Aircraft Company—Report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a report on the **Cross Company.**

Chemical Corn Exchange Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Chicago Transit Authority—Analysis—Robert N. Tuller Co., 60 Beaver Street, New York 4, N. Y.

Crowell-Collier Publishing Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Hartford National Bank & Trust Company — Analysis — The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Investors Diversified Services—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Leece-Neville Co.—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Masonite—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Mississippi Glass Company—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y. Also available is a bulletin on the **Dravo Corporation.**

National Tea Co.—Report—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Otis Elevator—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Public Service of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Worthington Corporation — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Worthington Corporation—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Yellowknife Bear Mines Limited—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Our Reporter's Report

The tendency just now is to look for some tightening in the money market through this final month of the year. This would be in line with precedent and the behavior of the Treasury security market presents some evidence of such a trend.

Yet it is interesting to note that some lenders, evidently looking past the turn of the year, are out shopping around for borrowers. In fact Street reports have it that one large firm which does a general brokerage and investment banking business was approached during the week.

As the story goes this firm was offered several million dollars, for a year at 2¾%. **Should this incident be multiplied a few times it** would suggest that any mild tightening which may develop during the few remaining weeks of the year is not expected to continue far into 1955.

Whatever lies immediately ahead, it is certain that the tax-exempt market is not greatly concerned. Between now and the middle of January the market will be called upon to absorb almost $1.2 billion of such securities, largely in the form of toll road obligations.

Next week Oklahoma Turnpike Authority will sell $214,000,000 of bonds, with New York Thruway seeking $50,000,000 and Louisiana Parishes $46,000,000 for an expressway. The following week brings New York Power Authority into the market for **$315,000,000**, while early in January the Illinois Toll Highway Commission will offer $390,000,000 bonds with public housing authorities looking for an additional **$140,000,000.**

Corporate Calendar Light

Outside the municipal and revenue bond field the calendar of new issues looks light for the ensuing weeks. And from the way things are slowing down from the standpoint of institutional investor interest underwriters probably are not greatly concerned with the trend.

Once the Tennessee Gas Transmission Co.'s huge undertaking, $125,000,000 of pipe line mortgage bonds, scheduled for next week, is out of the way, things look rather quiet.

The Street is more than ordinarily interested in the aforementioned business since this time it is being handled on a negotiated basis. And the hope is that it is priced to attract investor interest.

Demand Is Slow

So far as the current situation is concerned observers find little change in market conditions from recent sluggishness. As a result, some of the current offerings met with a rather cool reception when the books were opened.

The lackadaisical behavior of the Treasury market, in the face of the marked success of its mid-December refinancing plan, naturally tended to make for caution among buyers.

Institutions Slack Off

What with a veritable flood of tax-exempts ahead and with the customary year-end closing of books drawing near, institutional portfolio managers have adopted their customary attitude of balancing out positions rather than looking over new material.

Dealers find that discussions with such buyers now, and probably for the next few weeks brings the rejoinder that they are not especially interested but rather concerned with the approach of time for closing of their books.

So the feeling is that underwriters, could, for the next fortnight or so, find themselves buying a big load of inventory.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

As announced by Thompson N. Wakeley, A. C. Allyn & Co., Chairman, the following were selected by the Nominating Committee to serve as officers of the Bond Traders Club of Chicago for the 1955 term:

Fred T. Rahn — George R. Wahlquist — Frank H. Buller — Adolph C. Egner

President: Fred T. Rahn, The Illinois Company.
Vice-President: George R. Wahlquist, Weeden & Co.
Secretary: Frank H. Buller, Hickey & Co., Inc.
Treasurer: Adolph C. Egner, Shearson, Hammill & Co.

Trustees of the Gratuity Fund for two years:
Leo J. Doyle, Doyle, O'Connor & Co.
Walter W. Cruttenden, Cruttenden & Co.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their Twentieth Annual Mid-Winter Dinner on Jan. 28, 1955, at the Lord Baltimore Hotel.

F. B. Schwartz Opens

(Special to THE FINANCIAL CHRONICLE)

NORTHRIDGE, Calif.—Frank B. Schwartz is engaging in a securities business from offices at 17361 Gresham Street.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—William L. Goodwin is now associated with A. C. Allyn & Company, Inc., 112 North Seventh Street.

COMING EVENTS

In Investment Field

Dec. 3, 1954 (New York, N. Y.)
Security Traders Association of New York annual business meeting and election at the Bankers Club.

Dec. 7, 1954 (Denver, Colo.)
Bond Club of Denver annual meeting at the University Club.

Dec. 15, 1954 (New York, N. Y.)
Association of Customers' Brokers annual Christmas Dinner and Quarterly Meeting at Whyte's Restaurant.

Dec. 17, 1954 (Los Angeles, Calif.)
Security-Traders Association of Los Angeles Christmas Party at Hotel Statler.

Dec. 22, 1954 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group Investment Bankers Association Christmas Cocktail Party at the Denver Club.

Jan. 28, 1955 (Baltimore, Md.)
Baltimore Security Traders Association annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Tax Laws as a Cause of Mergers And Trustee Problems

By ARTHUR B. PFLEIDERER*
Vice-President, Detroit Trust Company

Detroit banker, asserting present tax laws are a barrier to the use of ordinary business in the sale of business interests, points out the present tax structure is a potent force in leading to mergers, which are now condemned by the Attorney General. Says businessmen don't like mergers, but are forced into them by the high capital gains taxes. Urges changes in the tax structure so as to make sense, and so that men will again sell businesses rather than merge them. Discusses trustee problems in sale of businesses.

What has caused the increased interest of fiduciaries everywhere in the problems growing out of business interest in estates? There are more businesses passing through estates.

Why should this be, after all, men have owned and built up businesses for a hundred years. Isn't this just one of the economic consequences of the fiscal policies of our government over the last 20 years?

From the viewpoint of the seller, present tax laws are a barrier to the use of ordinary business judgment in the sale of business interests. Lawyers know only too well that of the time consumed in completing a business purchase and sale, 10% to 25% of it is spent in agreeing on terms and 75% to 90% is spent on minimizing the tax consequences of the transaction.

Now the Department of Justice puts up another hurdle. It is reported an inquiry is to be started to find out why businesses merge. They should know that businessmen, generally, don't like mergers Many are forced into them to avoid high capital gains taxes. Fix up the tax structure so it makes sense, and men will again sell businesses rather than merge them.

From the buyer viewpoint, individual tax rates have made the accumulation of personal funds most difficult. Inflation has raised the value on everything so that savings must be substantial to make a deposit on the purchase of even a small business. Many ambitious young men come to see us, as they know we have businesses for sale. They have saved money. They have ability. They have courage. They believe in free enterprise. They want to go into business, but many find the millstones of high personal taxes and inflation grind too fine. The competitive era which it is anticipated lies ahead, profitless prosperity as "Business Week" called it, will make it most difficult for young men to organize new business or buy established ones. When men with high incomes buy businesses individually it will be years before they get a return of their investment through salary and dividends.

Some Relief Coming

In time doubtlessly some progress will be made through various types of tax relief. Section 115(g) (3) of the Prior Revenue Act has been extremely helpful, and section 303 of the new revenue act should be even more so. The Zenz case decided in the Sixth United States Circuit Court of Appeals which has now been accepted by the Commissioner should be very helpful. It seems that at long last we are at least headed in the right direction.

Until relief comes there is an opportunity to minimize the general problem through intelligent estates planning. If Mr. Businessman, his lawyer, his accountant and one experienced in estates administration adequately study the most difficult situation, and are prepared to make realistic decisions, problems often disappear.

*An address by Mr. Pfleiderer at the Mid-Continent Trust Conference of the American Bankers Association, Chicago, Illinois.

Where do we start if we have persuaded the client to give estates planning a try? We must, with utmost candor, decide whether Mr. Businessman has an organization which can continue successfully. If he has, we should consider first a buy and sell agreement with or without insurance. Because insurance men have done an excellent job of adult education, every businessman knows about buy and sell agreements. Too often their application to a given situation has been oversimplified. Having agreed that the business should continue and that a buy and sell agreement is applicable, we must decide on the terms and conditions of the agreement.

The most important provision, and the one which if not drawn right causes greatest injustice, is the valuation formula.

There Should Be a Basic Valuation Formula

In our opinion, a basic valuation formula which in itself endeavors to compensate for the element of change is the one which should be used wherever possible. To periodically agree on a new valuation is a major undertaking. It highlights the personality differences among associates in a business. It is quite all right for the sales manager to use his enthusiasm on a customer, but when he uses it on his more conservative associates in a meeting for the determination of value, it may be harmful to the future of the business. The weakness of most buy and sell agreements is one of personality differences and often plain carelessness and procrastination.

Businessmen's carelessness in changing fixed valuation determinations create many ridiculous situations. Here is one which just came to my attention. One of two brothers owning a marine supply store died. The brothers had executed a buy and sell agreement in which value for one-half interest was fixed at $30,000 in 1940. This was a small but growing business then, today its value is many times $30,000. Question No. 1—Will Revenue Department accept this value? Probably not. Question No. 2—How can confiscatory tax be minimized? Counsel for estate is proposing a theory that the brothers on executing the agreement intended to give the survivor a gift of deceased brother's interest in the business in excess of $30,000 price, and against the excess should be applied first the $30,000 gift tax exemption and the balance should be taxed at regular gift tax rates. This argument is ingenious to say the least. But it does not increase popularity of buy and sell agreements in Detroit.

Often collateral considerations defeat such agreements. Collateral considerations should not enter into the determination of value. For example—we cannot subscribe to this type of thinking—"This business must support my wife and children if I die, So value must be increased to accomplish this"—or—"Our progress has been fantastic, it is bound to continue, So I insist values take into consideration our future prospects."

Until businessmen recognize the importance to them of careful and constant review of buy and sell agreements, and couple it with wise counsel and careful preparation of documents, I believe this medium of avoiding the need of business interests passing through estates will have only limited success. It is regrettable that the mortality of such agreements placed with corporate fiduciaries is appallingly large and those actually administered is surprisingly small. In our own institution the number of businesses coming in each year to be administered under wills far exceed those to be administered under buy and sell agreements.

What planning can be done in those situations where no buy and sell agreement has been or can be arranged? Here again, if Mr. Businessman cooperates with his lawyer, accountant and fiduciary to work ont a tailor-made plan for his specific situation, the savings can be substantial for the heirs, the employees of the company and to the community at large. The tragedy of such situations is that Mr. Businessman hesitates to face reality. He may refuse to take the time needed to do a real job. This is one job he can't successfully delegate. He may not want to give up the power he has gathered to himself. He doesn't want to admit his failure in not having secured competent successorship. He may not want to pay the cost of competent counsel to have a thorough job done. His lawyer and accountant are often less than frank, knowing they can't charge adequately for the job they would be expected to do. The fiduciary may be hesitant to risk the alienation of prospective business. Maybe education is the solution to these personality problems.

Contrasted Attitudes

Here are two illustrations of contrasted attitudes.

Jones owned 40% of the stock in a cement manufacturing company. He was its President. 60% was held by the public. His will provided that stock should be sold. There was no explanation for such direction in his will or his personal papers. His heirs went into court and petitioned for retention of stock. The court granted the petition. The decision was based on representation of heirs that the stock was of investment quality, the earnings record of the company was an enviable one and the family would suffer loss of income through diversification. All representations were true. Operation of the business in two years following death developed three serious flaws:

(1) His assistant and seemingly only logical successor was unable to make important decisions.

(2) The lime stone reserves were adequate for 50 years, but the company had quarried most of its high quality stone and further operations required expensive precipitation equipment.

(3) The traditional company policy had been to use its machinery to the limit, spend little on current maintenance and replacement. When machinery was about worn out the plant was built. Cash reserves for replacement were built up in the meantime. The policy failed to evaluate the consequences of wartime inflation if war came at the wrong time. War did come at the wrong time. Machinery costs increased. Reserves became progressively more inadequate. A long and enviable dividend and earnings record was being threatened.

In desperation a well known consulting firm was hired. A new management was selected. First cash reserves were frittered away. A mortgage was placed on the property. Then mortgage proceeds were frittered away. Fiduciary forced sale of property with a realization to heirs of less than what they might have realized by sale soon after death.

How would planning have avoided this loss? Had the testator taken his counsel and his fiduciary into his confidence, or left a memorandum with either or both, explaining why he recommended sale, the loss would not have occurred. Planning presupposes frank and forthright discussion. It is probably the most effective preventative to difficult and costly estate administrations and bitterness among heirs.

The other illustration, two brothers own a corporation with two divisions. Each brother is in charge of a division. The assistant of the brother first to die was not competent to run this highly competitive business. Surviving brother, who was most cooperative, and fiduciary of deceased brother, which had broad powers, set out to find competent management, entirely revamp corporate structure, work out an incentive plan for new management coupled with right to buy 50% of subsidiary company stock over ten years. All this took about three years. Result—found and developed management team of three young men; they have increased plant capacity and efficiency. They have increased sales three times and profits five times. Increase in realizable value from date of brother's death to today, $500,000. This sort of thing is unusual. It should not be.

Some Advice to Businessmen

If Mr. Businessman were to ask us to counsel with his lawyer in the preparation of his will, where businesses are to be passed on to executors and trustees, we would take the following positions in the circumstances outlined:

(1) If the business is of the Pop and Mom type, sell it.

(2) If the business is of the personal service or speculative commitment type and is profitable but can only afford to pay for one man of management caliber, we would recommend sale as soon as possible after death. In our book, management is by all odds the most important ingredient in business success. Businesses of this type offer too great a temptation to the manager to demand and get an unconscionable salary. He is under the constant temptation to go into the business himself. Temptations being there, we find the spirit weak in far too many instances. We do not believe a fiduciary should put the future welfare of its beneficiaries under the control of one person. However, we would not recommend a specific direction to sell in the will. A will is a public document and smart buyers and their lawyers will look at that document and will use it to their advantage. It may not be possible to turn up a buyer in a short period of time.

Continued on page 26

Insurance Agent as Salesman of Both Insurance and Mutual Funds

By ROBERT A. RENNIE*
Director of Research
Farm Bureau Insurance Companies

Though stating "there is no substitute for life insurance," Mr. Rennie contends that equity investment is a competitor of life insurance. Defends combining equity investment with "fixed dollar" insurance. Sees equities as a hedge against inflation and "fixed dollar" insurance as a hedge against deflation. Says protection afforded by life insurance has not been thrown aside, and describes the "combination package" of mutual fund's shares and life insurance. Says plan is a step to meet changing needs of policyholders.

When the Farm Bureau Insurance Companies announced that their agents would sell both life insurance and mutual fund certificates, there was immediate interest—and apprehension — among life underwriters. The interest, and the apprehension, were both understandable. For more than a century, American life insurance companies have worked on the principle that so many premium dollars paid in can mean so many benefit dollars paid out —a fixed sum, stipulated in the policy, come inflation, deflation, prosperity or depression. The President of the Life Underwriters' Association called our plan "revolutionary" and said it means abandoning "every concept they have taught us for 110 years regarding legal reserve life insurance companies and the fixed dollar principle."

Robert A. Rennie

In response to Mr. Gutmann's remarks, Murray D. Lincoln, President of the Farm Bureau Insurance Companies, and of their mutual fund affiliate, Mutual Income Foundation, said that "we are inclined to be more modest. We regard the plan as **evolutionary**, a natural response to changing needs."

I have been asked to talk to you and tell you just why we have undertaken this new plan of ours, which we regard as a needed advance in estate and retirement planning for middle-income families.

*An address by Mr. Rennie before the Life Underwriters' Association of the City of New York, New York City, Nov. 18, 1954.

There Is No Substitute for Life Insurance

First, I want to make very clear that we at Farm Bureau Life believe there is no substitute for life insurance. And I don't mean just term insurance. Life insurance is the best means ever devised to meet the risk of dying too soon. By taking large numbers of people, thousands of them, insurance can so spread the risk that no man need pay more than a modest premium to protect his family against untimely death.

Life insurance has served brilliantly in this last century of American growth and development to meet our changing needs for security. A hundred years ago, the average American did not need much life insurance because he had a farm or a small business; if he died, the farm or shop provided for his family. In his old age, he had his place and chores in the family enterprise. But as we became an urban people (and today 60% of us live in towns and cities, where a hundred years ago more than 80% lived on farms and in rural places) we had to find some monetary means of protecting our families. We had relatively fewer farms and family firms; often we did not even own our own homes; whatever income we made, we earned at our daily jobs. And when we became old, we were largely dependent on our own cash resources. Society had little place for us.

In this situation, life insurance came to the fore. With life insurance we could budget a little of our income, and provide **dollar** security for our families—a definite estate, $10,000, $20,000, whatever the face value of our policies.

As increasing numbers of us came to need this kind of protection, life insurance grew. Indeed, its growth has been one of the phenomena of our times. The value of life insurance in force rose from $14.9 billion in 1910 to **$304.3 billion at the end of 1953, more than a 20-fold increase.** Raymond Goldsmith, who recently completed a study on savings for the Life Insurance Association of America, shows that whereas life insurance accounted for only 8% of personal savings in the first two decades of the century, it rose to 11% in the '20s and to 16% immediately after World War II.

And we have developed many different kinds of policies to meet the changing needs of our people, from annual renewable term, which is practically all insurance and no saving, to endowment policies, which are almost all saving, with a minimum of insurance. In between, there are many different types of policies designed to achieve specific objectives. The Whole Life, continuous-premium policy is undoubtedly the "best" policy for providing a large amount of permanent insurance without sacrificing the reserve principle, which is essential to any balanced program of personal security. More recently, the family income plans, stimulated by the baby boom, have given young families the temporary added protection required during periods of greatest need.

People today are also getting more insurance protection for their premium dollar. Since 1946, the average premium paid per $1,000 of insurance has dropped by 10.8%. This is largely because of the spectacular rise of group insurance. In 1920, less than 4% of the life insurance in force was group; by the end of 1953 it accounted for more than 26%.

So we can see at once that life insurance has never been a static thing. It has changed as our needs have changed; and it has earned a place in our security planning which nothing else can ever take.

A Departure from Tradition

I think it is therefore understandable that your President—and perhaps many of you—should look askance at a plan which departs from some of the principles we have so long taken for granted —namely, that saving through life insurance means the security of a fixed - dollar guarantee and a fixed-interest return. The security markets, we know, ride the roller coaster of public esteem: when they are high, everyone is content, but when they drop—well! You will ask: does a business like ours, which prides itself on providing security for the American family, want to join in the high-flying, low-falling swings of equity investments? Is it wise? Is it good for insurance?

We at Farm Bureau Life asked ourselves the same questions, and I think you may be interested in seeing why we finally came to the conclusion that it was wise. In fact, we believe that from the standpoint of serving our policyholders, it may prove to be one of the wisest things we ever did.

First, let me make it clear that our new program directly affects only endowment policies, annuities and retirement programs which, after all, are primarily **savings** rather than insurance plans. About 16% of the insurance in force is composed of endowment and retirement income policies. Annuities and other insured pension plans covered nearly four milion persons and accounted for 12% of total premium income at the end of 1953.

These are the insurance policies and plans which are most vulnerable to competition from other forms of savings and investments. Because of their long-term nature and high-premium cost, their value can be must seriously impaired by inflation.[1]

[1] The lower premium policies, on the other hand, are affected only moderately by inflation because the protection is paid for currently with dollars which are approximately equal to value to any potential benefit payments. Moreover, unless an individual becomes uninsurable, his protection program can be revised upward without excessive cost after a period of inflation. Finally, there is no direct substitute for life-protection policies which create an estate for dependents in case of premature death. These factors do not apply to endowment policies and annuities.

Someone has said that security, national or personal, is not attained by trying to avoid all risk, but rather by intelligent choices among risks and balancing risks against each other. A long-term savings program through insurance must balance the twin risks of rising and falling prices. Ideally, it should aim to stabilize the real purchasing power of the savings.

Everybody knows that there is no form of saving that beats insurance as a hedge against deflation. And we have had some bad periods of deflation, the 1930's being the most recent example.

Equities, the Hedge Against Inflation

But what about periods of inflation? The past century is a picture of generally increasing prices and lower dollar purchasing power. In spite of recessions and depressions, if you look at the whole period since 1900, prices have risen at the rate of almost 2% a year. Capitalism itself developed most vigorously during the centuries when the inflow of Spanish gold was raising prices in Europe. "The Economist," in a series of articles entitled, "The age of Inflation," presented 14 cogent reasons "to show that prices will continue to rise as far as human wisdom can see ahead, that this fact must be candidly recognized and that we must adapt many of our institutions to it." Sumner Slichter has made essentially the same point on several occasions.

Most people who put money into annuities and endowments don't put it in for one year or five or even 10, they put it in for 20 years to a **lifetime.** And I challenge you to find any man's savings and retirement lifetime in recent history when the purchasing power of the dollar did not decline. Quite the contrary is true. The "fixed dollar" which annuitants and policyholders have been receiving isn't fixed at all: it is a dollar that has been nibbled to death by half a century of recurring wars and inflation.

Take the man who bought a 20-year endowment policy in 1934 to help provide a fund for family education. What is he really getting for his money? Each dollar is worth only 70% as much as the average premium dollar he paid in over the years. More important is the fact that the cost of college education has risen by 80% in the meantime. An endowment policy designed to meet expenses at 1934 levels would be completely inadequate to defray such costs today. It is an economic fallacy to speak of "fixed dollars," because if there is one thing the dollar never is, it is "fixed." The dollar is variable; it varies from year to year, as prices vary. As Mr. Lincoln has said, "we are all in the 'variable dollar' field."

The insurance business cannot remain complacent in the face of these long - term inflationary trends. Although the proportion of income spent on insurance has been very stable since 1941, other forms of saving have been shooting up. In recent years, the savings going into corporate securities rose almost six times as fast as the amount going into life insurance. In other words, people will put enough into insurance to secure life protection, but they are beginning to find other forms of saving which they think will better meet the needs for which endowment policies and annuities were designed.

There is no doubt that inflation has been the reason for this. More and more people are asking themselves: why take out retirement annuities or endowment policies when the dollar is worth less and less? They are afraid of "fixed dollar" annuities precisely because the dollar isn't fixed. That is the real reason for the astonishing growth of mutual investment funds; it's the reason the mushrooming non - insured pension plans are investing in common stocks; it's the reason for the emergence of variable annuity plans such as the College Retirement Equities Fund (CREF) designed to balance the risks inherent in the "fixed dollar" annuities. People are looking for **inflation insurance.**

We in the industry have viewed this relative shift away from life insurance and toward securities with disapproval. We wonder if people really understand the short-term risks of the market, if they have adequately considered the need for retirement income guaranteed for life and the settlement options which only the annuity principle can provide. Certainly, investment funds cannot provide them.

It was in weighing all these factors, balancing the risks involved, the need for protection against the need for saving, the inflation hedge against the dangers of deflation, that we at Farm Bureau Life finally worked out a plan that, within the limitations of present state laws, we thought would best meet the needs of the middle-income family.

Protection of Life Insurance Not Thrown Aside

We have not thrown aside the protection that only life insurance can give. On the contrary, we have used life insurance to help our families meet their needs for long-term saving.

Our plan, briefly, works this way. If a man decides to carry out his savings program through Mutual Income Foundation, he may set a lifetime goal for himself to meet all requirements. He wants, perhaps, an educational fund and additional **real** retirement income. The amount he must put into the fund each month (or quarter, or year) to reach his goals is determined in the usual manner by setting up a table showing in dollars the periodic payments needed to meet the educational commitments and the assumed annuity payments when they come due. The table is computed on the assumption that interest and other earnings will be at the rate of 3½% a year. Mutual Income Foundation may pay more or less than this rate, depending on future economic conditions and the wisdom of investment management. On the basis of past experience, this is a conservative assumption. In fact, over the past 15 years, cash distributions have been close to 5¾% and the share price has increased 60% in that period.

In addition to the Mutual Income program, Farm Bureau Life is underwriting on an individual policy basis, life insurance as an independent supplement to these periodic investments in Mutual Income Foundation. In general, this will be one of the company's reducing term policies, and will be underwritten in the same manner as all life policies issued by the company. In this way, the individual is protected in two ways: if he lives, he can achieve his savings objective through Mutual Income; if he dies, his family will receive life insurance benefits sufficient to complete the savings goal.

Our program bears no relation to other plans which require that periodic payments to mutual funds remaining unpaid at time of death shall immediately become due and payable to the fund as an obligation of the estate and that the insurance proceeds shall be used to satisfy this obligation. The proceeds of the individual life insurance policies sold by our agents will be paid to the beneficiary and not to Mutual Income Foundation. We are **not** creating competition for our agents; in fact, we are helping them to meet such com-

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Let Us Not Confuse Mutual Funds With Life Insurance

By CLAUDE L. BENNER*

President, Continental American Life Insurance Company
Wilmington, Del.

Expressing opposition to offering for sale a combination package of mutual fund shares and life insurance, life company executive sees a separate non-competitive function for mutual funds and for life insurance in our economy, and warns that the purchaser of insured mutual fund shares must not be led to think he is buying substitutes for an insurance program. Says each, i.e., mutual fund shares and life insurance, should be sold on their separate merits.

If I look with something less than complete enthusiasm, as I do, upon the recent venture of offering for sale in one package mutual fund shares and life insurance, it is not because I do not appreciate the merits of mutual funds just as much as I do those of life insurance. It is rather because I fear the combination of both in one package will confuse the public about the merits of each, lead people to think that mutual funds and life insurance are competitive, and cause the purchase of mutual funds by people who have not completed a satisfactory insurance program and who ought to purchase more life insurance.

Claude L. Benner

I also think that the life insurance companies will be ill-advised if they embark on a program of issuing decreasing term insurance to cover the unpaid installments of subscriptions to mutual funds, because this will tend if the practice becomes general to have a bad effect upon our agency system. And in my opinion the trend toward restricting the market for the sale of individual life insurance by agents must be brought to a halt if our agency system is to be maintained and prosper.

Therefore, before I go into a discussion of the merits or demerits of mutual funds or variable annuities, I want to call your attention to the degree that the market for the sale of private life insurance is being restricted and the effect that this movement is certain to have upon the ordinary life insurance salesman if it continues.

Today it is possible to build up a sizeable insurance estate without buying a single policy from a salesman. This is apparent when one adds up the life insurance benefits in social security, together with group insurance which is increasingly being given free. Then add to this the additional group insurance provided in many plans which can be purchased by individuals at cut-rates, plus savings bank insurance, and if he is a veteran his $10,000 government insurance, and it becomes apparent that an insurance estate can reach the sizeable sum of six figures before an insurance salesman has sold the prospect a single dollar. And now to cap the climax we have a way offered where mutual fund salesmen can also sell insurance. I can well understand the concern with which the insurance salesman is watching this trend.

Please do not misunderstand my position. I am not arguing against fringe benefits, social security, group insurance, accident and health coverage, or any well-thought out welfare plan for the employees of industry. I believe in them. They are all good if kept in their proper place and do not get out of hand. But there should be limits to all of them, and their effect upon our agency system must not be overlooked if we desire to keep a thriving prosperous private insurance industry in our country.

I am completely out of sympathy with those individuals who are always advocating that the maximum amount of insurance that the mutual savings banks can write on one life should be increased and that there should be little or no limits to the amount of group insurance permissible on one life. This is the way to give the public cheap insurance it is argued. It reduces the cost of selling. Why pay those high commissions to agents.

The right answer is because the agents earn them by rendering an indispensable service to the policyholders. If it is a good thing for society that insurance in the amount of billions of dollars is in force then the agency system deserves the credit for it. Everyone knows that insurance has to be sold. It is not bought on the initiative of the purchaser. And I know that it takes training and hard work to sell it intelligently, and that it is not easy to get rich doing it.

Does it not behoove us, therefore, before advocating any increase in mass insurance coverage or before encouraging any subsidized form of insurance at the expense of the agent, that we give due consideration to the effect which such action will have on his welfare.

The Life Insurance Agency System

The one indispensable part of the institution of American life insurance is its agency system. Undermine it by making it more difficult for the average agent to make a good living and a vital blow will be struck at the future prosperity of the industry. This cannot be repeated too often.

Now let me return to the specific consideration of mutual fund shares purchased on the instalment plan and coupled with life insurance.

At a time like the present when the country has been experiencing a stock market boom for over five years, when business is again turning upward and when the Dow-Jones averages are almost daily making new highs, it is to be expected that the public will become increasingly aware of the attractiveness of investing in common stocks. Fears, which were rather common a year ago, that the nation was about to slide into a severe business recession, appear now to have vanished. But the memory of the severe inflation brought about by World War II is still fresh in our minds, and in addition, there is a latent fear that our government will pursue credit and fiscal policies of such a nature as to cause a general upward movement in prices more or less indefinitely in the days ahead. In fact, some distinguished economists have advocated that the proper course for the government to pursue in these matters is to follow a policy which will lead to a price rise of approximately 2% per year.

This is certainly creating an environment conducive to the sale of speculative securities and no one should be surprised if the investment public now begins to look askance at fixed income investments. The recent growth of mutual fund investment companies clearly indicates this. While life insurance companies' assets have been growing very substantially since the close of the war, there is good cause for thinking that the mutual funds' are growing at a more rapid rate. This naturally raises the question of the extent to which present life insurance practices may be altered in order to meet the new needs of the hour without, if course, destroying the valuable services which life insurance companies have rendered in the past.

Some students of the problem are suggesting that the companies write what are commonly known as variable annuities. Others are suggesting that decreasing term insurance should be written, accompanied by instalment purchase of mutual fund shares. While still others are advocating that the life companies be permitted to purchase an increasing amount of common stocks and by so doing be able to vary the net cost of their insurance, and in this manner meet the problem.

The Combination Plan

Recently some enterprising salesman of mutual fund shares on the instalment plan conceived the idea that they would be more saleable if he could package them with life insurance. The plan was ingenuous and very simple. Decreasing term insurance would be issued and adjusted to the unpaid amount of the subscription of the mutual fund shares so that in case of the subscriber's death the insurance would furnish the payments remaining due on the shares and they could be turned over completely paid for to his estate. Several of these policies have been issued and in essence they seem to me similar, if not identical, with a group indebtedness policy commonly issued to cover instalment loans.

Certain life underwriters' associations have violently objected to the companies issuing these policies. Personally, I find myself in sympathy with their position. In the first place, there is really no insurable interest to be covered in a policy issued for this purpose. Buying mutual fund shares on the instalment basis is not a contract binding in law. In essence, the starting of such an investment program is little different than when one begins to buy building and loan shares, or to stretch the analogy a little further, when he embarks upon a Christmas savings plan.

None of these investment plans need to be insured. They are not analogous to debts. For instance, when one agreed to buy $10,000 of mutual fund shares and pay for them in equal payments over ten years and covers that purchase with decreasing term insurance which will expire at the end of ten years when the payments on the trust shares have been completed, he has entered upon a transaction somewhat akin to the purchase of a ten year endowment policy, with the exception the cash value of the policy is in the mutual investment trust shares.

Is it the part of wisdom for the life insurance companies to encourage sales of this nature? Looked solely from the point of view of what is good for the institution of life insurance, I cannot think so. Moreover, looked at from the point of view of what will be good in the long run for the rank and file of our people, I am even more doubtful about the advisability of encouraging this transaction. Mr. M. Albert Linton, in an excellent article published in the April, 1954 issues of the "Life Insurance Courant," presents figures which would seem to indicate that on the basis of costs much more can be said than is commonly supposed in favor of the old-fashioned endowment life insurance policy, as against this new idea of combining mutual trust shares with decreasing term insurance.

Basis of the Objection

But my objection to this idea is not based primarily upon costs. Should this type of transaction be popularized it seem to me almost inevitable that it will lead many people who are woefully underinsured to be setting aside a large portion of their income to purchase plans of insurance primarily for protection into buying this hybrid form of investment and insurance. It has always seemed axiomatic to me that one had no moral right to enter into an investment program until he had completed his insurance program. The two are non-competitive. Anyone who has sold insurance knows how difficult it frequently is to get an individual to buy the protective type of insurance which he needs instead of limited pay and endowment forms. So long as the total amount of our private insurance does little more than cover one year's national income, is it not obvious that we ought to press for the sale of a larger volume of insurance primarily for protection and minimize the effort which we put forth toward popularizing some investment gimmick type.

Here I wish to emphasize that mutual funds and insurance should not be considered competitive. They are hard to compare, because they are not designed to accomplish the same ends. The former is a plan of investment entailing risks of capital loss, which inevitably accompany the purchase of common stocks. Insurance, on the other hand, is designed to avoid, minimize, or shift risks from an individual and his family to an institution capable of bearing the risk without disaster.

The Proper Function of Mutual Shares and Insurance

Each has its proper function in our economy. It is as idle to say which is the better, as it is to say that cows are better than sheep. It all depends upon whether one wants milk or wool. But I do think that it is reasonable to maintain that no one should embark upon an investment program, whether the purchase of mutual funds or anything else, until he has completed as adequate an insurance program as his responsibilities require, and as his income will permit. Certainly few of us would want to hold up as an ideal a man who embarked upon an ambitious program of savings un-

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*An address by Mr. Benner at a meeting of the Life Underwriters' Association of the City of New York, New York City, Nov. 18, 1954.

"Forward From 50 Million"

By HARLOW H. CURTICE*
President, General Motors

Hailing the production of 50 million cars by General Motors in the United States, Mr. Curtice forecasts a possible 10% increase in American automobile production in 1955, bringing passenger car production to around 5,800,000 units for the domestic market—"a good year for the automobile industry." Sees renewed strength in the national economy and stresses the sharing of benefits of profits by stockholders, employees, dealers and suppliers and the general public. Points out jobs generated by the 50 million General Motors cars has helped to create markets for every variety of product and was a potent force in our expanding economy.

This is a momentous occasion.

I wonder if you fully realize just how momentous it is—and how significant.

Harlow H. Curtice

Fifty million cars built in this country by General Motors since 1908.

That's more cars than any other country or any combination of other countries has ever produced. It's a production feat that surpasses anything ever achieved by any other industrial organization. The Golden Car on the stage behind me symbolizes a milestone unique in the world's industrial history.

To me this celebration is far more significant than any anniversary—even one of 100 years, significant as that may be. As I told the men at the Chevrolet plant, an anniversary marks the passage of a certain length of time without relation to what has been done. In contrast, the production of 50 million cars and trucks has been a positive accomplishment.

The production of 50 million cars has also been a team accomplishment. The 50 millionth car happens to be a Chevrolet, put together in Flint. But the team it represents goes far beyond Chevrolet, far beyond Flint and far beyond General Motors.

A great many people and a great many businesses all over America have had a part in this great industrial achievement—and likewise shared in its benefits.

I would like to emphasize the sharing of benefits particularly. When some people use the terms profit and loss, they seem to imply profits for some, losses for others. They would have you believe that a profit for the buyer means a loss for the seller and vice versa. Or that when the shareholder profits, somebody else loses.

Benefits Are Shared

Actually, the distinguishing feature of our system is that benefits are shared—and by all parties to any transaction or in any operation. When a business earns a profit and prospers, all who have contributed to its growth prosper.

Who are the groups that have contributed to the production of 50 million General Motors cars and shared the benefits of this great accomplishment?

First, we have the many thousands of employees, not only of Chevrolet, but of each of the other car and truck divisions—Cadillac, Buick, Oldsmobile, Pontiac and GMC Truck — that contributed their millions of products to make this total possible.

Then there are the many General Motors plants in many different places that make components and parts for cars and trucks. The non-automotive divisions, too, make a contribution and receive benefits, because the strength of General Motors derives in large measure from the strength of all its parts.

Highly important as members of the team are our 18,000 dealers. Cars can only be produced about as fast as they are sold to customers. Without sales, production stops. Furthermore, two used cars have to be sold for each new car sale. Thus, the production of 50 million new cars actually meant about 150 million sales.

490,000 Shareholders

490,000 shareholders have made a most vital contribution, too, because it has been their savings and reinvested earnings that have provided the plants and tools. They have received substantial benefits over the years in dividends and in the great growth in value of their investments.

We have 21,000 suppliers who are all part of the team, together with their employees and also the firms which serve them as *their* suppliers. In fact, the supplier chain goes all the way back to the producers of basic raw materials from the mine, the forest and the farm.

Another contribution — and one that is not perhaps so obvious—has been that made by other business, no matter what their product, no matter where located. It has taken the cumulative efforts of all business, each one adding its bit to the goods produced by others, to raise our national wealth and our national standard of living to the level where we have had a market for our 50 million General Motors cars.

Which brings me to our most important contributor—and beneficiary—without whom no company can ever survive for long.

At one time or another some 2,700 different makes of cars were put on the market. Today a bare handful of those original 2,700 survive. The others have vanished. Why? Primarily because their product did not have sufficient appeal to this one person of whom I now speak—the customer.

I realize that to many of us the customer may seem far removed from our daily work. He is not, I assure you. He holds the ballot which controls our products and our very jobs. His vote assures the continued acceptance of a product. Conversely, if he withholds his vote, not only is the product voted out of business, but the company along with it and its employees too.

"More and Better Things for More People"

In General Motors we have been successful in winning the votes of customers primarily because we have constantly striven to build greater values into our products. Our slogan has been, "More and Better Things for More People." It is to the extent that we have lived up to that slogan that we have prospered. It is to the extent that we continue to live up to that slogan that we shall continue to prosper.

And others with us. Because it has been the jobs generated by the production of 50 million General Motors cars that have helped create markets for every variety of product and have been a potent force in generating and insuring an expanding economy.

This interplay of productive forces has had a profound effect on community life all over America—and particularly on the General Motors "home towns" to whom I have the honor of speaking.

Each of you has made a contribution to our production record, and General Motors, in turn, has been a factor in your growth.

I am most familiar with the story here in Flint because Flint has been my home for more than 40 years.

Flint will be 100 years old next year. It is a typical, dynamic American city — a worthy representative of all our plant cities. At times it has had rough going. But each time it has recovered and moved ahead.

First, it was a lumber town. When the forests receded, it began to make buggies. And even before the buggy vanished, it had turned to automobiles. In recent years, it has grown and prospered mightily.

General Motors is happy to have contributed — through its own growth — to Flint's growth and prosperity. We recognize, too, that the support of the citizens of Flint has had a great deal to do with the growth and prosperity of General Motors.

Further than that, we recognize that in Flint and in our other plant cities we have an obligation that transcends our role as an employer of men and a producer of products. It is our earnest endeavor to be a good *citizen* of our plant communities and to assume the duties and responsibilities that good citizenship imposes.

Let me cite an example.

The City of Flint is a great industrial center. It has, as I say, grown rapidly. Flint also has a most active and progressive cultural life. However, the natural development of this life has been handicapped by inadequate physical facilities. They have not kept pace with the growth of the city.

Recognizing this, Flint's community leaders have launched a cultural center development program. It is under way and receiving the widest possible community support as a centennial year project.

A Gift of $3 Million

General Motors is assuming its citizenship responsibilities in this constructive undertaking by making a grant of $3 million toward the cost of the program.

This grant is in line with our established practice of contributing to worth-while community projects which are advanced and given tangible support by the community at large.

Another consideration was Flint's rather unique relationship with General Motors—a relationship which also explains why we elected to have our 50 millionth car celebration here.

For one thing, Flint might be called the cradle of General Motors.

For another, there are 75 thousand General Motors employees in Flint — more than in any other plant city. They constitute a larger percentage of the working force than in any other plant city. Flint is the home of Buick and AC Spark Plug. Chevrolet and Fisher Body also have their largest employment concentrated here.

It was the vision of a bare handful of men here in Flint back in 1908 when the automobile industry was a struggling infant that launched General Motors. It was the vision of a few others that kept General Motors afloat when financial weather became stormy.

In other companies that same vision was manifest—vision of the automobile both as an essential means of transportation and as a creator of jobs. The result has been the development of an industry that—and I am sure you share this belief — makes the greatest single contribution of any to the strength of the national economy. Over the years it has constituted a principal source of our country's dynamic growth.

What the Automobile Has Done

Today the automobile can put 163 million people on the road at one time — with the back seats empty.

Today everything we eat and wear and use travels at some stage by motor vehicle.

Today the automotive and highway transport industries provide employment for almost 10 million people directly and many millions more indirectly.

All the product of vision.

Vision has characterized our industry in other ways too — the ability to look ahead and anticipate the customer's wants, to keep building ever greater values into our products to make them more desirable and within the reach of all.

The Golden Car is a symbol of that vision — of the spectacular progress in design and engineering over the years since 1908. You saw six cars outside as you came in, representing six milestones in General Motors' history. The comparison between Car No. 50 million and Car No. 25 million, for example, is so obvious that it needs no restating here.

However, the impact of 50 million General Motors cars on our country is certainly not so obvious —in fact, quite generally taken for granted without thought of what it means.

Fifty million cars, as I say, have put a substantial proportion of our people on wheels—given them an individualized means of transportation possessed by no other people on earth. This has had a profound effect on our customs, our habits, our entire way of life.

Fifty million cars have not only provided jobs for many hundreds of thousands of men and women both in our own plants and in those of our suppliers and in the mines and on the farms. They have also generated millions of jobs that never existed before— in dealerships, in the trucking industry, in service stations and in many other businesses too numerous to mention.

And, of greatest importance, the organization and the facilities with which 50 million General Motors cars have been produced have rendered outstanding service to our country in time of need in the production of weapons for war and defense.

So far I have talked of this 50 millionth car as a symbol of accomplishment to date. But most importantly, it stands as a symbol of progress for the future.

A Great Technical Revolution

That there will be progress and amazing progress, have no doubt. We are already engaged in a great technological revolution. New products, new processes are coming off the drawing boards of the engineers and out of the laboratories of the scientists at an ever faster pace.

General Motors is making its contribution to this advance at our great new Technical Center nearing completion north of Detroit. From it as well as from the engineering departments of our divisions are coming an increasing flow of new developments in research, engineering, process development and styling.

Another dynamic factor contributing to the progress of our country is population growth. Within the next 20 years it is estimated that our population will increase 35% to a record 220 million.

The combination of a growing population and an expanding technology means mounting employment and a rising standard of living. General Motors will make its own substantial contribution on both counts.

Currently, our employment in the United States totals 475,000, and it will be substantially increased between now and Jan. 1.

Outlook for 1955

What is the outlook for 1955? Currently, the national economy is showing renewed strength. I am optimistic about business in general for the next calendar year. In 1955 automobile production could well be 10% above 1954. That would mean passenger car production in the neighborhood of 5,800,000 units for the domestic market — a good year for the automobile industry.

This, of course, means a good year for General Motors. I am sure you have seen the new Cadillacs, Buicks, Oldsmobiles, Pontiacs and Chevrolets which have just been introduced for 1955. And I am sure you recognize that each line represents the greatest advances in engineering, styling and value for the dollar that we have ever offered. With such an outstanding array of cars, 1955 should be another good year for General Motors dealers, for General Motors suppliers, for all the men and women in the General Motors family and for the communities in which they live.

For us in General Motors the 50 millionth car stands as a milestone along our path of progress. It represents a momentous accomplishment. It marks one stage of a journey whose extent is limited only by our vision, our capabilities and our capacity to serve.

It should inspire us to even greater achievements in the future. I am sure it will and that the day is not far distant when we shall be celebrating General Motors' 100 millionth car.

*An address by Mr. Curtice on the occasion celebrating the production of 50 million cars by General Motors in the United States, Flint, Mich., Nov. 23, 1954

Henry B. Warner Is With Arthur Wright

PHILADELPHIA, Pa.—The investment securities firm of Arthur L. Wright & Co., Inc., 225 South Fifteenth Street, announces that Henry B. Warner has become associated with them as Manager of their corporate trading department. Mr. Warner was formerly head of Henry B. Warner & Co., Inc., members of the Philadelphia Stock Exchange.

Henry B. Warner

The firm also announced the installation of a direct private wire to Wm. V. Frankel & Co., Inc., 39 Broadway, New York City. The firm also maintains direct private wires to C. T. Williams & Co., Baltimore, and Pledger & Co., Inc., Los Angeles.

Robt. Brussat With Milwaukee Company

MILWAUKEE, Wis.—Joseph T. Johnson, President of The Milwaukee Company, investment securities firm, whose principal office is located at 207 East Michigan Street, has announced that Robert C. Brussat has become associated with his firm's trading department. Prior to this connection Mr. Brussat was with the Marine National Exchange Bank of Milwaukee for 21 years in the investment service and bond department.

Our Gigantic Government Payroll

By PHILIP YOUNG*

Chairman, U. S. Civil Service Commission

Civil Service Commission chairman maintains tremendous growth of Federal civilian payroll to $9 billion, representing a large part of national budget, calls for concern and attention of every citizen. Suggests clear distinction between area of political appointments and the career service; as well as a public education program to gain public's respect. Urges Congress to raise its own pay, as key to effecting needed rises throughout Executive Branch.

I would like to start from the point of view that the Federal Government service today is a new service—that it has not yet become fully established and, at the present time, is still suffering from growing pains. To be sure, the Civil Service Act was passed in 1883 and from then on the civil service expanded from a handful to approximately 800,000 by 1938. All efforts during that period were directed toward the development of a merit system on a centralized basis, more and more in the direction of a single personnel agency for the Federal Government.

Philip Young

The civil service as it developed prior to World War II met the needs of its time, but, of course, was not designed to meet the needs of today.

While the basic concept of a merit system is still just as sound today as it was in 1883 or 1938, the radically changed conditions of our post-war world require a new approach, changes in organizational structure, new legislation, new rules and regulations, larger appropriations, and perhaps above all an enlightened concept of personnel management.

I think it would be helpful at this point to take a brief look at the composition and nature of the Federal Government service as it stands today. In terms of personnel systems more than 86% of the 2,300,000 Federal employees are in the competitive service and 14% in the excepted service. The 322,000 employees making up this 14% are scattered among Schedules A, B, and C and spread over smaller independent personnel systems such as the Foreign Service, TVA, Atomic Energy Commission, Public Health Service, etc. This group also includes 83,000 U. S. citizens who are Federal employees stationed overseas. The overall picture is further complicated by 101,117 foreign nationals on the U. S. payroll abroad, as well as another half million foreign nationals performing services for the U. S. Government overseas on a contract basis.

If you look at the composition of Federal employees by pay systems you get an entirely different picture: 42% are paid according to the pay scale of the Classification Act; 32% come under the wage-board pay system—these are the blue collar workers paid on the basis of going market rates; 20% are under the postal pay system and 6% are paid under different small independent pay systems. In terms of individual pay 58.6% of all employees earn under $4,000, 37.7% from $4,000 to $7,000, 2.77% from $7,000 to $9,000, and 1% above $9,000.

The Wide Distribution

If the Federal service is broken down on a geographical basis one finds that 83% are in the continental United States, excluding the Washington, D. C. metropolitan area which accounts for not more than 10%. Another 4% are in foreign countries and 3% in U. S. Territories and possessions.

Again looking at the same picture in terms of departments and agencies, 49% of the total are civilians in the Department of Defense, 22% in the Post Office, 8% in the Veterans Administration, and the remaining 21% scattered through all the other agencies of the government.

Sitting at my desk with a draft of a new rule or regulation or interpretation, I wonder whether it is just as applicable to the civilian employee at the Weather Station on the Greenland ice-cap as it is to the civilian employee at the Edwards Air Force Base on the desert sands of California, to a clerk in the Civil Service Commission in Washington, and to all the other hundreds of thousands of employees scattered throughout this country and around the world. You can see the need for perspective and why I believe that the Sixth American Assembly can be most constructive.

Several basic factors must be kept in mind: First, the tremendous increase in the size of the Federal Government service, almost three times that of 1938, and with every indication that it will be maintained at this high level in the foreseeable future. Another factor is the need for definition of a career service, or, to put it another way, a clearer distinction between what could be regarded as the career service and the area of legitimate political appointments.

A third major factor is the need for stability in a modern career service. The career service of the future must, insofar as possible, be insulated against political shock and rapid fluctuations in Federal employment levels, and must provide for permanence and continuity, together with the rewards and incentives which must be part and parcel of a prestige career service.

As you look back at the last few years, and if you eliminate those of emergency war activity, you will realize that we may have had, at the most, five years of experience with a personnel program which has had to provide for two million people. This is little enough time in terms of the magnitude of the job. That is why I say this is a new system which is now developing.

The current situation merely reflects again the fact that the United States as a nation is still in the process of growing up and that in assuming its place of leadership in the free world it has had to mature rapidly in many different directions. It also emphasizes that our country must have as a basic component for its internal stability a solid, stable, continuing Federal career service. At the same time, it must be recognized that in a world of international tensions and with a country filled with internal pressures, we are apt to have the same violent fluctuations in Federal employment over the years to come

Continued on page 38

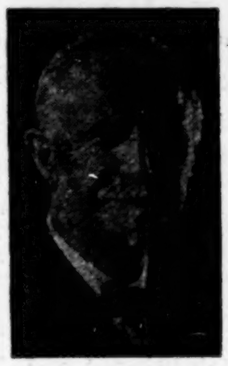
*An address by Chairman Young before the Sixth American Assembly, Arden House, Harriman, New York.

Looking Ahead 50 Years

By ROGER W. BABSON

Predicting our offspring will look back at the 1954 era as one of primitive existence, Mr. Babson recites recent technical advances in industry. States machines will be powered by automatic capsules, and by 2004 we will consume as much power in one year as we have in all the years from 1 A. D. to 1954. Concludes, what we do with our technical advances may depend on the kind of churches, schools, and colleges, and the financial support we give them.

Part of our 50th Anniversary celebrated recenty in Wellesley, Mass., was spent looking ahead 50 years to the year 2004. Dr. E. F. W. Alexanderson, a disciple of Steinmetz and long-time engineer-researcher for General Electric and the Radio Corporation of America, made some startling statements. If he and the other speakers did not hold such very important positions today, we would take these statements "with a grain of salt," but under the circumstances they deserve attention. Here's what we predict for 50 years from now.



Roger W. Babson

On Our Tremendous Material Progress

Our offspring will look back on the 1954 era as one of primitive existence. Automation will have taken over completely, not only in the factory, but also in the home and on the farm. For example, Dr. Alexanderson predicts that the business executive will live in the country and commute to work by helicopter over a special-frequency airline channel which will pilot his plane automatically and safely to its destination. The busy business executive won't have to go to the office so often, for he will have private TV circuits between his home and his office and can go into conference or look in on any part of his factory by means of numerous television eyes. He will be able to go to his summer place in the mountains and, again by means of private TV circuits, see and talk with his children back home. By the same means, he can look in on his cattle or into his chicken house. A button pushed at his mountain house will carry an impulse via short wave to the chicken house back on the farm, and the chickens will be fed and the eggs collected, sized, and boxed, automatically.

Machines will be powered by atomic capsules, and by 2004 we will consume as much power in one year as we did in all the years from 1 A. D. to 1954! Homes and working establishments will all be air-conditioned. Electric ovens will cook our food in seconds. Foods will be wrapped and sealed in inexpensive plastics and will keep crisp, fresh, and deliciously palatable indefinitely. People will be healthier and happier. They will live to be a hundred with no debilitating effects. This age will be known as the atomic age—an era of unprecedented technological advancement and material prosperity.

On Government and Business

Mrs. Ivy Baker Priest, Treasurer of the United States, predicts that one-half of our elective and appointive officials will be women in 2004—half of the House of Representatives, and a third of the Senate. The Secretary of State will be a woman. Through the efforts of women the world over, there will be an effective outlawing of war.

In predicting business trends of the future, considerably more emphasis will be given to sampling, market analysis, and discovering what people think and why they think that way. This kind of analysis will enable us to predict human behavior and business trends far more accurately than is now possible.

On Education and Man

Both Miss Margaret Clapp, President of Wellesley College, and Dr. Alexanderson are concerned about the kind of civilization our technological advances will leave us with in 2004. Both fear that science, if pursued on a straight materialistic plane, will lead man into some real trouble. There is a serious fear in the minds of many educators lest education today is too concerned with teaching facts rather than developing thinking men and women of character and stature who know why as well as how.

A good climate for business and a soundly administered government do not just happen. They are the products of able leadership. And leadership, good or bad, is more closely tied to our religious and educational system than we may like to admit. Good leadership depends on excellence of instruction in church, school, and college. In the last analysis, what we do with our technological advances—whether we shall have peace or war, progress or decline in the art of living in 2004—may well depend on the kind of churches, schools, and colleges you and I want and on the financial support we give them today.

F. S. Moseley to Admit Five Partners

F. S. Moseley & Co., members of the New York Stock Exchange, on Jan. 1 will admit to partnership Frederic C. Braun, Jr., Charles F. Cutter, Charles M. Enders, Preston J. McNurlen, and Arthur Perry, Jr. Mr. Braun and Mr. Enders will make their headquarters in the firm's New York office, 14 Wall Street. Mr. Perry will be located in the Boston office, 50 Congress Street. Mr. Cutter and Mr. McNurlen will be in the Chicago office, 135 South La Salle Street.

U. S. Policy in Financing Economic Development Abroad

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

Secretary Humphrey outlines present policies of the U. S. government in aiding economic development in Latin America. Cites functions and operations of the Export-Import Bank and the International Bank for Reconstruction and Development. Says Administration will ask Congress to support U. S. participation in establishment of an international finance corporation to encourage private investment abroad. Explains efforts toward feasible measures to remove tax impediments to foreign investment.

The subject of financing for economic development is one of the most important which we shall consider. My government has devoted much study to its policies in this field and within the framework of the general principles to which I have referred, has reached certain decisions of whose nature you are already aware and whose effect we believe will prove to be far reaching.

When we speak of the great need for economic development financing in this hemisphere, what we are really saying is that throughout our countries there are profitable and attractive opportunities for the establishment of productive enterprises that will provide steady employment to our people; that will provide more of the goods and services which we need for higher standards of living and that will diversify our economies. These opportunities cannot be converted into realities without capital, technical knowledge and experience. As governments, we owe it to our people to promote those conditions which will help make available the capital and technical knowledge required.

I think that every one of us here can agree that in this field our greatest opportunity and our greatest responsibility lies in creating in our several countries those conditiones which will give maximum access to the great reserves of private investment capital that are available throughout the world. The reason is obvious. The aggregate amount of private capital that is available today in your countries, in mine, and in the rest of the world is many times greater than any that we as governments could possibly provide. Economic development in those countries which have successfully established access to the world's supplies of private capital is going ahead with a rapidity that is astonishing.

We all recognize that the movement of private capital cannot be forced; that private investors of all nationalities enter only where the circumstances are attractive. So numerous are the investment opportunities throughout the free world today that he who seeks investment capital must compete for it. But there again the position of Latin America is privileged and fortunate. Throughout your countries there are challenging and attractive opportunities for new investments such as are found only in young and rapidly developing economies. These factors give you very real advantages in competing for investment capital.

It is easy to understand, therefore, why the American states whose governments have established those conditions which have always proven attractive to private investors everywhere in the world have experienced little difficulty in finding ample supplies of capital, both domestic and foreign. This has been demonstrated so dramatically that there can be no longer any doubt but that in this favored area of the world, where nature has done its part so well, each government can, if it will, attract a volume of private investment that will compare most favorably with that of any other area of the world.

One of the things which our governments must do to encourage free enterprise is to insure that those projects necessary for economic development, but for which private capital is not reasonably available, are adequately supported by public investment. We view this as a necessary support to an economy which relies principally upon private enterprise as supplementing and encouraging, rather than as displacing free enterprise. I am sure that each government will shoulder as much of their burden as it reasonably can, but we agree with you that substantial foreign lending will be necessary if we are to achieve our goals in this hemisphere. We shall do our part generously and loyally in meeting that need.

To that end we have reviewed the whole scope of our public lending policies and have arrived at certain changes which we consider significant.

The first relates to the United States Export-Import Bank whose activities are to be intensified and expanded.

This past summer, the Congress of the United States by specific legislation increased the lending authority of the bank from $4½ billion to $5 billion, in anticipation of its increased lending activity. In his report to the Senate on this legislation, Senator Capehart, Chairman of the Banking and Currency Committee, stated:

The Export-Import Bank

"The Export-Import Bank has played an important role in our foreign economic policy and must continue to do so on an activated scale. Promotion of trade among the free nations of the world, and in particular, with the nations of the western hemisphere, is of utmost importance to the common welfare, the common defense, and the solidarity of the free world."

Within the last few months the Export-Import Bank has authorized loans of $130 million to nations in this hemisphere and other important loans are under consideration. The loans which have been authorized will help two important Latin American cities develop municipal waterwork systems and will make possible the development of one of the world's largest copper deposits. The bank has made loans to finance the sale in Latin America of machine tools, of aircraft, of electric equipment, of textile equipment, and of wheat. It has facilitated the development of sulphur production. The range of its activities has been as wide and varied as the production process itself, from the extraction of basic materials to the fabrication of complex industrial products. Since its organization the Export-Import Bank has authorized loans in excess of $2¼ billion to Latin America.

Within the past few weeks, the Export-Import Bank has opened up new sources of credit for the countries of Latin America that wish to import equipment from the United States. With the assistance of lines of credit from the Export-Import Bank, United States exporters will be able to offer medium term credit on equipment of a productive nature. This program will be in addition to long-term capital and should help to accelerate the flow of trade and ease temporary credit problems.

In addition, a large New York bank announced last week that it proposes to form a multi-million dollar export financing company. The Export-Import Bank will also participate in this new venture. This enterprise will add further to the supplies of medium term credit available to Latin American importers of capital goods.

The International Bank

In the field of economic development, of course, the International Bank has a primary role to play in helping to promote the economic growth of the American republics. Most of the countries represented here were founding fathers of the International Bank. Your countries and my own participated in its establishment and we have contributed importantly to its personnel and capital. The International Bank is our common institution. It was established to carry the major burden of financing reconstruction and development loans at a governmental level. While the International Bank in the early postwar years was primarily concerned with reconstruction, it has accelerated the tempo of its operations and has, more recently, concentrated its major efforts on economic development. The International Bank has financed a steady succession of high priority development projects in Latin America. The total now exceeds $500,000,000 for the last five years. Its first development loan was in Latin America, and today its investment in this hemisphere is greater than in any other developing area. Its loans have been made primarily for basic facilities and public works on which further fruitful investment depends: for electric power, for transportation, and for communication facilities. The loans of the International Bank are important not only in themselves but in their secondary effects. Electric power installations, new road and communication systems, new port facilities, all have encouraged new industries and lowered costs. Development is a cumulative process, setting in motion innumerable individual efforts with multiplying effect.

In his report to the conference, Eugene Black, President of the Bank, states:

"It is my personal judgment that, given a continuance of present trends in Latin America, there is every reason to expect expanded lending activity by the bank in that area during the period which lies ahead. The bank has the resources to do so and it has the will to do so. The extent to which it may be able to translate its will into action depends largely on conditions within the control of the Latin American countries themselves."

Proposed International Finance Corporation

At the meeting of the Board of Governors of the International Bank last September, representatives from many of the American republics strongly urged support for the establishment of an international finance corporation to encourage private investment. The subject has been under study for several years.

The matter has been given most careful consideration by the United States Government, and we are going to ask the Congress to support United States participation in such a corporation. We have in mind an institution organized as an affiliate to the International Bank, with an authorized capital of $100 million to be contributed by those members of the International Bank who wish to subscribe.

The corporation would be able to make loans without the guarantee of member governments. It would not directly provide equity financing. It would, however, be empowered to hold securities bearing interest payable only if earned, as well as debentures convertible into stock when purchased from the corporation by private investors. In that way it would operate in the area of venture capital without holding equity right of control. It would not compete with the International Bank, or the Export-Import bank and indeed it would facilitate private investment.

If the international finance corporation is established, we shall then have three major financial institutions to help promote economic development. We shall have the Export-Import Bank that has had a long history of useful work in Latin America and whose activities are to be intensified. We shall have the International Bank, in which we are partners, to help finance basic resource development. We shall have an international finance corporation in which we would work together to assist and encourage private enterprise.

The Removal of Tax Impediments

In the spirit of the resolution on private investment and taxation adopted at the Caracas conference, the United States continues to explore feasible measures to remove tax impediments to increased foreign investments. The Administration and the Congress, as well as numerous private groups in the United States, have given the matter intensive study. This has disclosed the complexity of the problems involved. In the light of this experience, the Administration will again submit to the Congress proposals with respect to the reduction of taxation of foreign income along the general lines recommended by the President last year. We trust these proposals will find acceptance by the Congress.

We desire to complement these unilateral legislative steps with bilateral tax treaties. To that end, we are prepared to explore with individual countries the possibilities of the tax treaty as a medium for creating a more favorable tax climate for international trade and investment. For example, one of the matters which might be considered in treaty discussions is how the United States might give recognition to tax concessions made to foreign capital by the country where the investment is to be made. Under proper safeguards, we would be prepared to recommend giving credit for general foreign income taxes which are waived for an initial limited period as we now grant credit for taxes which are imposed. Such a measure as this will give maximum effectiveness to your own laws designed to encourage new enterprises.

Our agenda includes the subject of programing. Individual nations will no doubt continue to develop their over-all approaches to their own economic development problems. If any such nations wish to exchange views on their plans with other nations undertaking similar development plans, it may well be that this organization can provide such a meeting place.

We recommend that each of us expand and further diversify our joint activities in the vital field of technical cooperation. The interchange of people under this program draws us closer together and provides a better understanding of each other's problems. Through technical cooperation we pool our accumulated experience and knowledge to utilize the human and natural resources available to us as we seek to match resources against our needs. The enormous mutual benefits already produced by our efforts in this field justify our confidence in its future expansion.

We approach our talks here together with a sense of mission, which I am sure is common to us all. The challenge of the years ahead is a tremendous one. How we meet it may determine our place in history. We have great faith and confidence in the peoples and the lands that share this hemisphere. The human and physical resources are here out of which to build a glorious future.

The President of my country has very rightly called us partners in this great enterprise. He has declared the policy of our government to be that of the good partner.

I know that the American states can be good partners, determined to work for the betterment of all our people. If we are energetic and practical, I am confident that we stand on the threshold of a great tomorrow. As good partners we can make this coming together at Rio a momentous one in the bright and lengthening record of Inter-American relations.

*From an address by Secretary Humphrey at the meeting of Western Hemisphere Ministers of Finance and Economy, Rio de Janeiro, Brazil, Nov. 23, 1954.

Continued from page 2

The Security I Like Best

creating C. T. A. Hats off to management!

The skepticism, prejudice and cynicism facing C. T. A. at inception meant C. T. A. had to earn its approbation the hard way. The record is bearing fruit and the public press in Chicago has come to realize that a sound C. T. A. system is only consistent with a sound Chicago economic picture. Chicago cannot function as a city without adequate public transportation. And right here should be mentioned two important facts. C. T. A. has not **in the past** enjoyed enforcement of the traffic ordinances which properly enforced mean so much to speedier service and lower costs. There is a growing public recognition of this situation and what it means in dollars and cents to the owners of C. T. A., The People of Chicago. Secondly, there is a growing recognition that any steps increasing usage of the private motor car in the congested areas of channelized traffic is a tragic and costly mistake which will have to be rectified. The private motor car can and must be accommodated on the periphery of these congested areas, at which point public transportation takes over at a lower cost to the whole riding public and citizenry. See the remarks of Mr. Austin Tobin, head of Port of New York Authority, before the Regional Planning Association, October, 1954.

Millions of dollars of toll bridge and turnpike bonds have been offered and absorbed by the investing public these past five years. All of these securities face the hazards of construction and risk that traffic statistics will not meet engineering estimates. While not decrying the need for these facilities and the belief that most of them will eventuate as planned, the yields on C. T. A. cry out for comparison and recognition. C. T. A. is built and running successfully. You have the operations record — no mystery about that. Could it be that the seven years 1947-54 were the seven lean years and that The Years of Plenty lie just ahead? I think so. And don't forget that the interest on C. T. A. bonds is free of something commonly and exasperatingly called The Federal Income Tax!

Nadler Terms Nat'l Debt a Source of Strength

Says, though debt is still rising, it has ceased to be an inflationary force. Points to large portion of debt of political subdivisions as being for self-supporting public works.

The United States' towering total gross debt — estimated at $720.4 billion by year-end — is more a source of strength than a weakness in the economy, Dr. Marcus Nadler, Consulting Economist to The Hanover Bank, New York City, indicated in a statement entitled "What Our Debt Means," published by the bank. Dr. Nadler asserts in this statement that the total gross debt is not out of proportion to the economic growth of the nation.

Marcus Nadler

"The Federal budget is not as yet balanced, and while the debt is still rising, it has ceased to be an inflationary force in the economy," Dr. Nadler said, adding:

"At present debt management is more important than the debt service or the size of the debt."

Turning to the debt of political subdivisions, Dr. Nadler said the total outstanding at the end of 1953 ($32.7 billion) is relatively small compared with the total gross Federal and private debt.

"By far the greater portion of the debt was contracted to finance public works, a considerable portion of which is self-supporting and was issued in the form of revenue bonds which do not constitute a burden on the taxpayer," he said.

During the 1953-54 readjustment, he added, public work expenditures financed largely through borrowing in the open market "were an important factor in maintaining the economy at a high level."

The increased corporate indebtedness, Dr. Nadler explained, "reflects primarily the huge economic expansion since the end of the war and the decline in the purchasing power of the dollar."

Despite the great increase in corporate debt, however, the financial position of corporations is "greatly improved and stronger than it was in 1940," Dr. Nadler continued. The corporate debt, while large, is relatively small compared with all other indices reflecting the economic growth of the country, he said.

The sharp rise in individual and noncorporate debt—from $53 billion in 1940 to $149.4 billion in 1953—is largely in the form of mortgages on one to four-family houses and in consumer credit, Dr. Nadler said.

"While this debt has increased considerably," he asserted, "it was accompanied by an increase in personal disposable income and liquid savings. While defaults and foreclosures are bound to take place, the trend toward home ownership is economically and socially desirable and adds to the strength of the American economy."

If the output of goods and services is to continue to rise in the future as in the postwar period, Dr. Nadler concluded, "an increase in the private debt is necessary."

Business Improvement Continues

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Plant, Olin Mathieson Chemical Corporation New Haven, Conn. indicates November business conditions showed a continuation of the steady, moderate improvement of recent months. New orders outran increased production by a small margin. Prices, the survey notes, are inclined to level out, with strength and stability. Inventory liquidation is ending, while employment is up or holding the previous advances. Buying policy continues hand-to-mouth to 90 days, the midrange predominating. The elections, it was noted, appear to have had no effect on industrial business.

Robert C. Swanton

That capital expenditures for 1955 will again be substantial is evidenced by the replies in that special section of the reports. 40% expect to spend more than in 1954; 25% the same, and 35% will spend less. The comments on 1955 programs range from moderate changes to extremely high and unusually low capital budgets.

Commodity Prices

The trend to price stability of the past three months is more pronounced in the November survey. Advances have been small and few. The lowest number since August report higher prices for important industrial materials purchased. Keen competition prevails in most markets. Buyers' opinion is that prices will hold steady over the year end.

Industrial purchased material inventories seem to have about reached bottom. 19%, the highest figure of the year, report moderate stock additions, while 26%, the lowest number of the year, record further liquidation. Inventory control is top policy and will continue to be, with the easy availability of replacements. Generally, stocks are well-balanced and at satisfactory operating levels.

November additions to the pay roll are slightly less than the average of the past two months. Reductions are the lowest reported in a year and a half; the majority holding to previously reported higher employment. Little overtime is indicated but there is more movement toward a full 40-hour week. Fewer strikes are noted.

The procurement range is still hand-to-mouth to 90 days, with 30-to-60 days predominant, which checks with the over-all conservative inventory policy. Some are holding back for the year-end inventory taking; others for tax purposes. While there is more confidence in price stability, still there is no reason to reach beyond near-by requirements.

Canada

Canadian purchasing agents report production is up. New orders are much better than last month. Prices are about in line with the United States. Inventories continue to grow. Employment is leveling off. Buying policy is very close but runs to a longer range than in the United States. Plans for capital expenditures in 1955 are high. General industrial business in Canada is good and purchasing agents are optimistic.

A Criticism of Treasury Refinancing Operations

By HON. WRIGHT PATMAN
U. S. Congressman from Texas

Representative Patman (D-Texas) holds issuance of an intermediate term bond of $2\frac{1}{2}\%$ interest will mean a second round of interest rate boosting, and says Treasury's refinancing has added little to the length of the debt, while increasing the debt service burden. Holds Treasury's debt-lengthening efforts entail great risk to the economy.

Issuance of an intermediate-term bond at 2½% interest by the Treasury may mark the beginning of a second round of interest boosting. The latest Treasury refinancing terms are also in keeping with the new look in debt-management affairs. They represent another step in the so-called debt-lengthening, but in reality interest-support program. So far, they have added little to the length of the debt, but they have succeeded in increasing the debt service burden for the taxpayer.

Wright Patman

The outstanding fact about the latest Treasury offering is that holders of $10 billion of maturing notes and long-term bonds bearing interest rates of 1⅞% and 2% respectively will be offered an eight year, eight month bond paying 2½%. The demand for the new 2½% interemdiate-term bond, according to Treasury officials, has emanated from the commercial banks. These banks now hold a large portion of the maturing 2% bonds. They can now exchange these maturing long-term 2% bonds for a more liquid intermediate-term bond yielding ½ to 1% more interest.

The policy of the Treasury since the new Administration came into office January, 1953, has been motivated by two primary considerations. The considerations are: convenience to the Treasury debt-managers and meeting the terms set by the large institutional investors and commercial banks who dominate the money market. These considerations have replaced the former Treasury objective of trying to minimize the interest burden for our taxpayers. The objective of keeping down the interest rate for the benefit of the taxpayer is a minor consideration of Treasury officials at present. Coupled with the decline in national income, the policy of ignoring rising interest charges on the debt has led to a rise in the real burden of the debt.

I wish to emphasize this point: The net result of Treasury debt-management operations to date has been an increase in the real burden of interest on the national debt.

In addition to increasing the interest burden, Treasury debt-lengthening efforts have entailed grave risks for the economy. The Federal Reserve has been required to undertake expansionary monetary actions, confined mainly to reducing Member bank reserve requirements and intermittent open market purchases of 90-day Treasury bills. This expansionary monetary policy under a Republican Administration has been necessary to minimize the deflationary consequences of the Treasury's debt-management operations. This expansionary monetary policy has not interfered with an increase in the burden of interest charges arising out of debt-lengthening attempts. As a matter of fact, expansionary monetary policy is supposed to permit the Treasury to undertake debt-lengthening (and interest burden increasing) operations **during a recession.** The Federal Reserve System refused to use their monetary powers to permit the debt to be serviced at low interest rates. This was the pre-accord policy, which the Republicans and the Federal Reserve System reversed.

It is now clear that the issue of an "independent" Federal Reserve was a false issue. What the Federal Reserve really objected to, and their supporters as well, was the Democratic Administration's insistence that monetary policy should be used to protect all the people from a rising real debt burden rather than enriching those who benefit from higher interest rates and interest charges on the national debt.

At the appropriate time, I shall introduce legislation designed to re-establish the policy of the use of monetary policy and debt-management authority as a means to minimize the debt burden.

Ralph Rada Rejoins Paine, Webber Firm

MILWAUKEE, Wis. — Ralph Rada is rejoining Paine, Webber, Jackson & Curtis, 605 North Broadway. Mr. Rada has recently been associated with Bache & Co. and prior thereto was an officer of Rada, McElhiney & Morack, Inc.

Laughlin Chairman of Vocaline Corporation

Alexander M. Laughlin of Hemphill, Noyes & Co., New York City, has been elected chairman of the board of the Vocaline Company of America, Inc., manufacturers of carrier wave communications equipment and synchronous electric timing motors.

Wm. V. Frankel Wire to Arthur L. Wright Co.

Wm. V. Frankel & Co. Incorporated, 39 Broadway, New York City, announce the installation of a wire to Arthur L. Wright & Co., Inc., Philadelphia.

Eller With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Charles M. Eller has become connected with Schwabacher & Co., 2048 Kern Street. He was formerly Merced manager for Managed Investment Programs and prior thereto was with E. F. Hutton & Company in Fresno.

California Investors Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Barbara H. Mackenzie has been added to the staff of California Investors, 3924 Wilshire Boulevard.

Brush, Slocumb Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert W. Canon is now with Brush, Slocumb & Co., Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market proved this week that it is no one-way street and the list was handled a bit roughly after it had broken through into historically high ground. The midweek selloff, however, was only the second important setback since the precipitous upswing set off by the elections began.

* * *

There wasn't too much damage apparent and the fact that some sort of correction, or even a breathing spell, was far overdue kept feelings high. The November score for at least the industrials was a soaring three-dozen-point gain which verges on being aptly described as spectacular.

* * *

An Uncharted Voyage

From the technical viewpoint, industrials are now in uncharted waters although a considerable feeling is building up that the immediate target could be somewhere around 425, or another three dozen points along. Rails have broken out into historic ground for the last 24 years, but there is little sentiment for them to try to exceed their 1929 peak at any time soon. And the sentiment favors continued progress by the industrials without any such action by the rails. Utilities continue stubbornly to shy away from their 1954 high set last August, but without upsetting bullish feelings unduly except for the new utility followers.

* * *

Among the week's accomplishments was something of a revival of interest in the long-depressed motor group, notably Studebaker-Packard when company officials reported heavy advance orders, and Chrysler which weathered a striks threat successfully and now can get along with its heavy production period.

* * *

Effective Dividend News

Dividend disappointments cost some issues dearly, not the least being Zenith Radio which on one session lost eight points when the company authorized an extra dividend instead of splitting the stock as had been rather widely expected. A halving of the payment by L. S. Starrett cost that issue nearly as much. Conversely, where the news was good, as in Firestone's split proposal, the issues continued to forge ahead well.

* * *

Aircrafts, which had all run up well in the early months of this year, were back in action with no less than three issues in the group able to push ahead by more than three points simultaneously. To a rather large group of market spectators these issues had reached overpriced levels long ago, so their popularity was somewhat surprising.

* * *

Steels continue to give a good account of themselves, helped along by a rising production rate and indications that new orders are perking up smartly. The expanded automobile production rates, too, are of solid help because of the additional demands for steel that these entail.

* * *

Fabulous DuPont

A similar runup in an issue conceded by many observers to have discounted favorable developments for some time ahead in its recent price action was that of DuPont. Helped along by a rather nebulous rumor of a stock split, the issue was able to start the week off with a gain of nearly six points in one session which borders on being fabulous. It was largely DuPont's earlier runup this month that helped the industrial average finally eclipse the famous peak of 1929.

* * *

Such sharp price moves in certain of the blue chips are getting commonplace, the result, as many brokers had predicted earlier, of so much of the floating supply of the stock now locked up in the strongboxes of institutional investors. Brokers themselves find that they have to bid the prices up sharply to execute any series of orders calling for the acquisition of any more than a stray round lot or two. The vast growth of investment funds since World War II has seen sizable amounts of quality issues taken from the market so that only a meagre supply is available for any pickup in public demand.

* * *

Leisurely Telephone

American Telephone, which had run into something of a stalemate in attempting to exceed its highest price since 1946, continued to make leisurely progress in bettering its level now that the previous peak has been penetrated. But this issue refutes the story of highest prices in history told by the averages, since it sold some 25 points higher in 1946 and double the present value in 1929. This is the stock held by more than twice as many individuals as any other single issue. Its relatively low price is partly explained by all the postwar financing via convertible debentures which increased the outstanding stock from 30,000,000 to past 47,000,000 shares. Without this increase in the supply, Telephone, too, might have indicated a short supply, since the stockholders have increased to around 1,300,000.

* * *

Cement shares continue popular despite threats of a drastic trim in the government's road-building program. The continued high level of general construction work, and the state highway programs which are important ones, will assure high-level operations for the cement makers apart from the government work, apparently.

* * *

Paper stocks, too, have had something of a continuing popularity, with some erratic moments in the individual issues due in all probability to profit-taking after a runup such as occurred in West Virginia Pulp. The paper shares generally, however, are not too preoccupied with posting new highs and have been resting several points under their best prices.

* * *

Active Central and Alleghany

New York Central and Alleghany Corp., in a good measure because of their interlocking relationship, have featured in activity more or less regularly, at times jockeying for leadership on the most active list. For Central it is a month of heavy trading now but without enabling the issue to wrest the title from U. S. Steel as the most active issue of the year so far.

* * *

Liquor issues have shown little life, despite a tendency to advance seasonally on the prospects of heavy holiday sales. National Distillers, for one, is proof that while the averages are high, many issues aren't. This stock sold well past a dozen points higher in the last eight years. Schenley is even more depressed below the best price of recent years. A brief runup in Park & Tilford, on rumors apparently unfounded, was all over and it, too, was back in a rut of disinterest.

* * *

Electrical equipment issues were also somewhat neglected as attention focused elsewhere. General Electric, in particular, was in no hurry to go anywhere on either side of the line. Even the erstwhile wide-moving McGraw Electric was well tamed and what had all the earmarks of being backing and filling replaced the preceding multi-point movements.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Meeting Employee Demand for "Partnership in Progress"

By ALLEN W. RUCKER*
President, The Eddy-Rucker-Nickels Co., Cambridge, Mass.

Asserting employees' demand for partnership in industrial progress is powered by industrial, political and monetary forces that show no signs of exhaustion, Mr. Rucker holds wages will continue to rise and this has become a permanent part of our economic life. Says there is futility and wastefulness in annual arguments over wage rates and, instead, management should take the initiative and develop a basic compensation policy. Stresses opportunity of adjusting wages to productivity.

One characteristic of American industry, shared with the industry of all other countries which I know at first-hand, is the steady, virtually permanent, upward march of wage rates — side by side with the apparent executive belief, even conviction, that the demand for higher pay is probably only a temporary influence of inflation: that it will pass soon, if not this year, then the year afterward. I think this view is unsound: it is certainly unrealistic when viewed against the background of the past 40 years. For instance:

Allen W. Rucker

In the 15 years between 1914 and 1929, average hourly wage earnings advanced more than 140%. In the 15 years between 1930 and 1945, hourly wages again doubled. In the most recent period since 1945, hourly wages have advanced an average of about 60%, an average rate of annual increase almost exactly the same as the long-term trend. By 1960, average hourly wages will rise to approximately $2.40, or about 100% increase in the 15 years measured from 1945.

It does not particularly matter whether or not this trend is the result of inflation, i.e., the steady depreciation in the value of the American dollar. That depreciation is itself in a long term trend, the end of which is nowhere in sight. For example, the value of the American dollar has been declining, with only an occasional and temporary interruption, for more than a century. Specifically, if the dollar in 1850 is considered as worth 100 cents, then in 1954 its value is right at 20 cents.

The other side of this same coin is, of course, the long-term rise in prices of all kinds, including those of the products which we here are making, and equally as significant, in the prices of industrial securities. Measured from the beginning of World War I, 1914, to the present time, average rate of growth of stock prices is about 3.1% per annum compounded. It turns out that the average rate of increase in wholesale prices is 2.5% annually, compounded. At this rate, wholesale prices will double in 30 years and security prices will double in 21 years. As every reader of the financial press knows, there is nothing now in sight to halt and reverse that trend.

Wage Rates Will Continue to Rise

So it is not very surprising that hourly wage rates in industry have been rising, and apparently will continue to rise over the coming years. As I project them, average hourly earnings in 1960, just six years away, will be approximately $2.40, with a range between the low-wage industries at $1.90 and the high-wage industries at $2.90 approximately. We are facing a rise of almost 40% in wage rates in the next five to six years; probably a 100% rise in the next 15 years.

In brief, the employees' demand for partnership in industrial progress is something more than merely vocal; it is powered, I might say almost jet powered, by industrial, political and monetary forces that show no signs whatever of exhaustion.

I see no basis for the supposition, or even for the hope, that the demand for higher pay is temporary or that it is destined to be halted or reversed in the foreseeable future. Instead, I think we in industry must take a great mental stride forward by recognizing that these trends are worldwide and, for all practical purposes of our daily responsibilities, are a permanent part of our economic life.

What Can Employers Do About It?

If I am reasonably correct in my estimate of the present and future situation facing executives in manufacturing, then the question is, what to do about it?

In answering that question, perhaps the first move is to recognize the futility and wastefulness arising out of these annual arguments over wage rates. Whatever justification these yearly debates may once have had, they no longer make any sense whatever, socially, operationally or economically. Let me illustrate:

Socially, these annual arguments tend to draw class lines and to set one group against another; they upset human relations in industry to no good end. Operationally, these emotional Donnybrooks tend to slow-down production, diminish productivity per man-hour, raise costs, and curtail corporate earnings. Economically, they accomplish exactly nothing for either "side" at the expense of the other. Specifically, the share of Production Value in all U. S. Manufacturing absorbed by wages is a near-constant, 39.39%. The remaining share available to management for all other operating costs and profit, likewise, is a near-constant, 60.61%.

These percentages have persisted for upwards of 50 years. They have not been changed by Republicans or Democrats; peace or war, boom or depression.

The Futility of Annual Arguments Over Wage Rates

That being the case, these annual arguments ought to go by the board. Collective bargaining can be and should be elevated to a higher level, to a level where a mutually sympathetic discussion of possibilities can be undertaken on a basis of some clear-cut and easily verified facts. For example:

In one firm with three plants and some 2,000 employees, there hasn't been an argument about wages in more than 10 years. There have been discussions every two years but discussions free of contention and belligerency; discussions wherein employees and management have considered the same facts and reached decisions

*An address by Mr. Rucker at the Third International Executives Conference on the Rucker Plan, Cleveland, Ohio.

intended to advance the whole business, and to enable everyone to have a share in its progress. It is by no means incidental that average annual incomes of employees have slightly more than doubled in this 10-year period, a gain something more than 50% faster than the industry as a whole. Other firms have done as well, and even better, over periods of three to 10 years.

This is largely the result of management taking the initiative and developing a basic compensation policy; one that recognizes not only the futility of yearly arguments but the equal futility of supposing that the long-term advance in employee earnings is something merely temporary, or worse, that the employee demand for "partnership" in progress can be denied.

I know of no field where the opportunities are larger for management initiative and leadership than than this one of human relations, employee compensation and advancing industrial productivity and progress. Some one has said that management hasn't developed one single new compensation principle since Frederick Taylor created th piece-rate plan in 1896. If that were true, it would be a scathing condemnation of management resourcefulness, imagination and social sensibility. But it isn't true. For instance:

We have gone far in fitting the right man or woman to the job with aptitude and allied tests and by on-the-job training. We have certainly made great advances in job-evaluated rates, in systems of merit advancement. We have gone far enough to take the next step forward "in stride." We have gone far enough to begin now to visualize that the next step will be the simple one of distinguishing between:

(a) The function of the wage-rate in rewarding individuals according to skill, merit and output; and

(b) The broader function of how to enable employees **as a team** to share in the progress of a business without penalizing customers and stockholders on the one hand, or depriving management of employee cooperation, on the other hand.

The Differential Hourly Wage Rate

The differential hourly wage rate is exactly what it says, it is **a rate** of income. Not until the rate is multiplied by hours worked do we have "income," weekly or annual. As a means of enabling the employer to hire the different types of skill, experience and capacity which he needs, with hourly pay differentiated according to those abilities, the differential wage-rate must rank as one of the great economic inventions of civilization. And, as a means of enabling each worker to be paid in accord with his own abilities, the differential wage-rate must also rank as one of the great social inventions of civilization. It is indispensable in modern times.

But, despite all of this, the differential wage-rate cannot do certain things. For instance, the tool maker and the machinist, the truck driver and the floor sweeper may be fairly compensated relative to their skills, and relative to other skills. But none of them can know from their pay rates whether or not they are being paid in proportion to the values they help to produce for the firm. This relationship is hidden; we leave it to employees to wonder if they are receiving their fair and equitable share of what they do. When many employees have this wonder, it can and often does evolve into doubt, and suspicion—and into concerted action among employees as a group, action pointed toward redressing the balance of relative wage and output values, action designed to enlarge the employees' share. The action is not limited to dissatisfaction and a high level of "quits"; in its milder forms, it may extend into work interruptions and even to strikes. In its extreme form it appears as a political ideology, the Marxian dogma, which has overturned entire nations and kept a world in turmoil for more than a generation.

As useful, as indispensable as the wage-rate is, it is nonetheless incapable of relating a worker's effort and pay to the value which he helps to produce. Lacking that relation, every increase in wage rates seems too little and too late; even advances in the total payroll are regarded collectively as evidence of niggardliness if not outright injustice in sharing the fruits of industrial progress. Let me cite simply two indications of this:

The first appeared as an official statement in the A. F. L. "Reporter" of Feb. 13, 1953, from which the following is quoted:

"The failure of wages to keep pace with productivity is a serious threat to the American workers and their families . . . If workers are to be able to provide for their old age and to sustain additional leisure, wages must keep pace with productivity . . ."

The second indication is the following quoted from the official report of the C. I. O., entitled "Peacetime Economic Prospects," under date of June 21, 1953:

"The gap of the past few years between lagging wages and rising productivity must be quickly closed. Wage increases generally in excess of current productivity increases are necessary and possible . . ."

These statements are significant; they have been made by able and astute union leaders who believe they are reflecting the prevailing opinion of their members and the supporting public. They would not make these statements if the relation between wage incomes and industrial progress were actually public knowledge and known to be economically equitable. It is our fault that the relationship between the advance of wages and the progress of industry has not been made known. The fact is, we owe these labor organizations our thanks for pointing out the economic and social limitations of the differential wage-rate system. That system does not disclose the connection between wage rates or payrolls, and, the value of the output which employees help to create. We owe them our thanks for warning us while there is yet time.

The Demand for "Partnership in Progress"

The rising demand for "partnership in progress" cannot be stilled, let alone satisfied, until we reveal the economic and financial relationship between the productive efforts of employees and the production value which their efforts help to create. For, it is that relationship which demonstrates beyond question that employees have been sharing, still do share, and will continue to share in business progress in a perfectly equitable, understandable and systematic way.

This fact is not only true of industry as a whole; it is equally as true of individual firms. The principle is simple: total annual wages, including all fringes, tends to be a near-constant percentage of total annual Production Value. It does not matter what the industry may be, in what country located, or what language employees and owners speak—total pay of a business is proportionate to total Production Value generated by the combined efforts, or teamwork, of men, management and machinery.

Over the past 15 years we have demonstrated repeatedly, in job business and in production businesses, in the United States, Canada, Latin America and Europe—for management and employees speaking English, French, German and Spanish—that this principle enables the executive to take the initiative and to show his people that his firm does continuously make them "partners in progress."

And, even better, whether that progress be one consisting of genuine improvement in productivity and real output expansion, or whether it is one in which those basic elements are intermixed with a continuing price inflation, the executive can show that his firm shares in the same consistent and equitable manner.

Please note: it is not a question of whether or not business actually shares its progress with employees. It usually does, even when neither employees nor management realize it and measure it in definite figures. The great defect in today's compensation policies is that this fact is not disclosed to employees. Therein lies the heart of the matter. Once this too-long hidden relationship between pay received and production value created is determined and disclosed, any firm can easily meet the demand for "partnership in progress." And win for itself a new understanding and cooperation that accelerates that progress.

From the management viewpoint, that result can be only a tremendous stride forward. Willingly or unwillingly, the economy of this nation and of other nations is riding a great long-term tide of monetary inflation. The American dollar has been depreciating irregularly but certainly for more than a century, at about 2.5% per annum, compounded. Average hourly wage-rates have been rising at almost 5.5% annually compounded, while prices have been advancing approximately 2.5% compounded. Were it not for an improvement of operational productivity per man-hour averaging about 3.0% compounded yearly, wage-costs would long since have overhauled total business income. We would be economically bankrupt.

Improvement in Productivity? — A Managerial Problem

The great managerial problem and the great opportunity, too, is to maintain at least the average improvement in productivity, lest the excess of long-term wage increases over probable price increases wipe out all prospect for profit and hope of survival in the years ahead.

The managerial opportunity is further that of recognizing that these great economic tides are not to be pushed back; that they must be harnessed and their power directed toward the social and personal advancement of employees, as well as of stockholders and customers.

The managerial opportunity and responsibility is to take the initiative and to develop, put into practice and use continuously the compensation principle that will keep the firm competitive in the market for orders, and competitive in the labor market. For one thing is certain: business flows to those who consistently supply the wanted products, of the quality and at the price which customers will accept and buy in volume. Equally as certain is that the alert, the capable and the ambitious worker gravitates to the firm which can assure him in definite terms that he will share in and become a "partner in the progress" ahead for industry.

This is a matter of applying the great and simple principle that pay is proportionate to economic production; and advancing pay is inevitably proportionate to advancing productivity. Men must know where they are going if they are truly to help us to achieve our business share of the growth ahead for the American industrial system.

Draper, Sears Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Mason R. Padelford has become connected with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

JOPLIN, Mo. — George K. Reeder has become affiliated with Dempsey-Tegeler & Co., 119 West Fourth Street.

Madden Partner in Brown Bros. Harriman

Brown Brothers Harriman & Co. 59 Wall Street, New York City, have announced that effective Jan. 1, 1955 John B. Madden will become a general partner of the firm. Mr. Madden joined the private banking firm in 1946 and has been a Manager with general executive duties and a lending officer in recent years. He was graduated from Yale University in 1941 and was an artillery officer during the war, with service in North Africa and Italy. He is a trustee of The Boys Club of New York, Inc.

John B. Madden

Established in 1818, Brown Brothers Harriman & Co. is the oldest and largest private banking firm in the United States, with total assets of approximately $230,000,000. In addition to its commercial banking activities, the firm also conducts an extensive investment advisory business. It holds memberships on the New York Stock Exchange and the American Stock Exchange with which the required applications for approval of the admission of the new partner have been filed.

General partners include David G. Ackerman, Moreau D. Brown, Prescott S. Bush, Louis Curtis, E. Roland Harriman, Stephen Y. Hord, Frederick H. Kingsbury, Jr., Robert A. Lovett, Thomas McCance, Ray Morris, H. D. Pennington, L. Parks Shipley and Knight Woolley. W. Averell Harriman is a limited partner.

With Berwyn T. Moore

(Special to The Financial Chronicle)

LOUISVILLE, Ky. — John B. Harmon is with Berwyn T. Moore & Co., Inc., Marion E. Taylor Building, members of the Midwest Stock Exchange.

"Some Hope for Peace"

By HERBERT HOOVER*

Former President of the United States

After reviewing the situation in Europe resulting from communistic aggression, former United States President says "Communist protestations" warrant a faint hope of peace. Cautions, however, that "peaceful co-existence" must await works, and not words. Points out we should not be lulled into the abandonment of our means of defense, and defends American armed participation in defense of Europe. Approves United Nations, but says it cannot stop military aggression. Wants Germany to be given full freedom "which will restore her as a bastion of Western civilization."

BONN, Germany—It is indeed a great honor for me to be an invited guest of the Chancellor and the German people. I have visited Germany many times over forty years. My last visit was nearly eight years ago. In the eight years since then West Germany has risen from the ashes of war; the shackles of stifling and destructive economic policies have been stricken off; famine has been overcome; productivity has been reestablished. And finally sovereignty and full membership in the family of nations has been acknowledged as Germany's right.

Herbert Hoover

I have rejoiced in each of these steps to the restoration of a great people. And these accomplishments are the vivid proof of the genius and virility of the German people.

When I learned that you wished me to make some sort of an address, I inquired as to what subject within my province might be of interest to you. Your officials suggested that I appraise the Hopes of Peace as seen through some American eyes.

There never was a time when the Western World was more anxious for peace. All our peoples have had their fill of war. The daily prayer of all free men is for a lasting peace.

In this nine-and-a-half years since the guns were silenced the disordered world with all its aftermaths has made some progress toward stability and peace. And from this progress there is hope.

You will remember the Biblical legend of the Four Horsemen of the Apocalypse, the names of which were War, Death, Famine and Pestilence. Fighting, War and Death have abated. Through aroused compassion, Famine and Pestilence were overcome at that time.

But out of these gigantic tumults has come another Horseman to ravish the world with Fear, Hate and a passion to destroy Western Civilization. The ancient prophet was unacquainted with him, but his name is Communism.

The tensions of military conflict with Russia seem to have abated in these recent months and from this abatement, I believe we can have at least a gleam of hope. Moscow has made many declarations of peace-loving intent. They speak of "peaceful co-existence."

It may be that they want more time to consolidate their gains. They may want more time to promote their infiltration of conspiracies in free nations. It may be that the growth of our deterrents against military aggression has influenced their minds.

It may be that internal forces are working within to restrain them. Every deep-seated social or political revolution has generated within itself a dynamism of military aggression or a crusading spirit to spread their new ideas. That was the case of the Mohammedan Revolution, the French Revolution, the American Revolution, as well as the Russian Revolution. Incidentally, in the American case, we had a vacant continent to invade, but we have been nonetheless crusaders to spread our concepts of freedom.

With time, the original leaders of these revolutions die off and some revolutions have the bad habit of devouring their young. At least their successors are less violent. They become more concerned with their dangers and improvements at home. From all this it may be that the Communist protestations are genuine. All of which possibly warrants a faint hope.

But from our many years' experience with the Communists, we should learn more about what peaceful co-existence means—and we must await works rather than words. The Western World has many times enumerated some of these works to which the Communists might contribute. They could join in the completely free unification of Germany; they could sign the peace with Austria. They could cease their germ warfare of conspiracies directed to overthrowing free governments.

With such steps, we might at least advance out of the thunder and lightning of this cold war into the dawn of a cold peace.

The Defense of Western Civilization

But all this is too much to expect, and we should not be lulled into the abandonment of our means of defense. The only hope for our safety is the building up of arms and of a united front among free nations which *will deter* Communist aggression against us. The Western World has no intention of military aggression against the Communists. The sole purpose of our alliance and our armament is to have such powerful deterrents as to convince them of the futility of starting war.

In this role of deterrents, the present proposed agreements looking to the arming of Germany and Europe have a very large part. Without the consummation of those agreements, the security of Western Civilization in Europe becomes dependent on the malevolent will of the Communists.

Neutralism

The coming of the fission bomb and guided missiles has contributed to the deterrents. But one of its discouraging effects has been that for fear of its use upon them by the Communists, some nations engage in the futile hope to escape its ravages by neutrality in a great conflict.

Neutralism is no answer to the security of free nations in case of a major conflict. And moreover, it gives comfort only to the spirit of aggression from the Communists.

The only hope of at least relief from military aggression by the Communists is if each one of the powerful nations associates itself in the real building of arms for mutual defense. That is the most powerful of deterrents.

American Participation in the Defense of Europe

Our American people have joined in the defense of Western Europe. It is an illusion of some European statesmen that we have joined and spent huge efforts for the selfish purpose of defending ourselves. I and most of my countrymen have held that this is untrue. We can defend ourselves at much less cost in manpower and money, and build effective deterrents against Communist attack upon us. The fundamental reason for our participation is to preserve Western Civilization in Europe and the freedom of nations in the world.

The strength of the West in effective defense is not a goal in itself but only a pre-condition and guarantee of freedom for unlimited development of our cultural and spiritual life.

Nor is there an atom of truth in the assertion that American action is animated by Imperialistic ambitions. The world should know from our many actions in the past there is no Imperialism in our blood.

Our people have met many discouragements and frustrations in these efforts. We have greatly reduced our resources with which we could increase the comfort and living of our own people. Europe must realize that many of my countrymen had lost confidence in these projects of European defense.

But the statesmanship of Chancellor Adenauer and your Parliament, through joining Germany in the effective defense of Europe, has done much to restore confidence and hope in the American people. We await similar action by other nations, but our patience is not inexhaustible.

The United Nations

At one time we builded great hopes on the organization of the United Nations.

When that temple was built to guard the flame of peace, the world concerned itself with the architecture of the super-structure, but neglected its foundation. When Communists were taken into that structure, the foundation of its major purpose, which was to stop military aggression, was destroyed.

But it has some values as a forum whereby with electronic equipment we can denounce the ways of the Communists in five languages all at once. It does perform useful services in mediating minor conflicts, in public health, in some economic and philanthropic fields. It might also be a place where free nations can promote their unity. But the inability of the United Nations to prevent military aggression has given rise to defensive alliances intended for the protection of the free world.

The Rise of Peaceful Nationalism

One of the real foundations of peace is the rise of what is sometimes derisively called "Nationalism." There are those who with the organization of the United Nations had furthur dreams of some sort of World Government where the independence of nations would be curtailed or abolished. They denounce nationalism as a sin against peace and progress and as a wicked force.

But the spirit of nationalism in its true sense springs from the deepest of human emotions. It springs from a thousand rills of inspiring national history, its heroes, its common language, its culture and its national achievements. It rises from the yearning of men to be free of foreign dominations, to govern themselves.

Nationalism rises from our national sacrifices. Every nation has laid its dead upon the altar of its country. These died with their national flag before their eyes and their national hymns upon their lips. National pride has swelled from their suffering and sacrifice. Within free nations these emotions added to their religious faith is their spiritual strength. It sustains their resolution to defend themselves against aggression and domination.

And equally do these emotions flow wide and deep in all free nations. Within them and their religious faith is their spiritual strength. It sustains their resolution to defend themselves against aggression and domination.

Nationalism does not mean isolation from unity of action among nations. Rather does internal spiritual strength make common action for defense more secure and more potent.

And we can have some hope that slumbering Nationalism in the Iron Curtain nations will awaken to throw off the Moscow yoke as it has in Yugoslavia.

I have rejoiced at the rise in Germany of a peaceful and constructive national spirit. It has brought great steps in her independence and her strength. From her full freedom alone can come the common defense and her full contribution to all mankind.

The Unification of Germany

I can well claim that advocacy of German unification is no afterthought of mine for this occasion.

Twelve years ago, just after America entered the war, some of our leaders in a spirit of revenge and as a necessity of peace began to demand dismemberment of Germany. At that time, I said:

"The Germans like all virile races are cohesive. The history of Europe's wars might be written around her dismemberments and the explosions from her movements to unity. . . .

". . . There can be no lasting peace . . . with a dismembered Germany.

"Nations cannot be held in chains.

". . . No people can be punished and at the same time leave any hope of lasting peace. . . . Victory with vengeance is ultimate defeat in the modern world. . . .

"We can have peace or we can have revenge, but we cannot have both."

In my country we hold that unification must be the purpose of free nations. We hold that the work of unification must have their full cooperation. We hold that unification by the hand of Russia alone is not likely to be on terms which preserve Germany's association with Western Civilization or which can assure the defense of Germany from Communist domination.

The German peoples have before now been the bastion of Western Civilization which deterred its destruction by the Asiatic hordes.

My prayer is that Germany may be given the unity and full freedom which will restore her to that mission in the world.

Conclusion

I am not here to offer certain solutions to these dreadful aftermaths of war from which we still suffer, but to indicate the good will of my countrymen.

We must realize that in dealing with these gigantic problems the statesmen of free nations cannot perform miracles. But that they can, by vision, patience, tolerance, moderation and understanding abate the dangerous forces which breed aggression, fear and hate. and they can increase good will among men. Nor can we abandon the hope that some time the free nations who believe in God will mobilize in unity against Red atheism and human slavery.

In Germany, the rebuilding of prosperity and independence from the demoralization of defeat has of necessity been by the patient laying of stone upon stone.

My countrymen believe that the reconstruction of West Germany, the revival of its economic life and the respect it has won among nations is due to the great statesmanship of your Chancellor, and to the great people he is privileged to lead.

*An address by Mr. Hoover at the German and the International Press Association's Luncheon, Bonn, Germany, Nov. 24, 1954.

Reynolds Group Offers Television & Radio Broadcasters Stock

Reynolds & Co. Inc. and associates, on Nov. 30 offered 160,000 shares of Consolidated Television & Radio Broadcasters, Inc. common stock at $12.625 per share.

The shares are being sold on behalf of certain stockholders and no proceeds will accrue to the company as a result of this offering.

The company was organized in Indiana in 1939. In 1954 its name was changed from WFBM, Inc. to Consolidated Television & Radio Broadcasters, Inc. At the present time, either directly or through subsidiaries the company owns and operates four standard radio broadcast stations and two television broadcast stations in the states of Indiana and Michigan.

Consolidated net income of the company and subsidiaries for the year ended Nov. 30, 1953 was $824,253, equal after preferred dividend requirements to $1.31 per common share. This compares with net income of $622,452, or 98 cents per common share, for the year ended Nov. 30, 1952. For the nine months ended Aug. 31, 1954 net income was $962,589, or $1.55 per common share.

Other members of the offering group include: Hornblower & Weeks; Paine, Webber, Jackson & Curtis; Cruttenden & Co.; Smith, Hague Noble & Co.; Bateman, Eichler & Co.; Moore, Leonard & Lynch; Ball, Burge & Kraus; Prescott, Shepard & Co., Inc.; Saunders, Stiver & Co.; Lester, Ryons & Co.; Baker, Simonds & Co.; Blunt, Ellis & Simons; Dittmar & Co.; Doolittle & Co.; Oscar E. Dooly & Co.; Fairman & Harris, Inc.; Farwel, Chapman & Co.; Gillen & Co.; A. E. Masten & Co.; Russ & Co., Inc.; Straus, Blosser & McDowell; Warren W. York & Co.; Courts & Co.; J. H. Drass & Co.; and Clement A. Evans & Co., Inc.

CORRECTION

In the "Financial Chronicle" of Oct. 21 it was reported that Gulf-Atlantic Inc. had opened a branch office in the Tampa Terrace Hotel in Tampa. We have been informed by the firm that this is in error as Gulf-Atlantic has only one office, located in the Marine Bank & Trust Company building, 214 Madison Street.

Phila. Inv. Women Meet

PHILADELPHIA, Pa. — Mrs. Helen Schnetke of Raffel & Co., President of the Investment Women's Club of Philadelphia, has announced that a meeting of the Executive Board will be held on Dec. 6 in the Board Room of Dolphin & Co., 1902 Fidelity-Philadelphia Trust Building at 5:15 p.m.

Berkowitz & Co. to Be Formed in New York

Berkowitz & Co., members of the New York Stock Exchange, will be formed as of Dec. 9 with offices at 25 Broad Street, New York City. Partners will be Sara D. Berkowitz, and Joseph Buono, general partners, and Ann Berkowitz, limited partner. Mr. Buono will hold the firm's Exchange membership.

Britain Committed to Welfare State Extravagance

By PAUL EINZIG

Dr. Einzig contends the Conservative Party in Britain, despite its efforts to put a brake on Socialist extravagance, is committed irrevocably to a policy of large welfare expenditure. Says, as a result, the British taxpayer has to bid goodbye to any hopes of substantial cuts in taxation as the burden of welfare expenditure must continue to increase, whether Socialists are in or out of office.

LONDON, Eng.—Nov. 16, 1954, may come to be regarded as a turning point in British financial history. It was the date of the House of Commons debate on the opposition's motion of censure condemning the Government for the delay in increasing old age pensions. The immediate outcome of the debate was, in accordance with expectations, a defeat of this motion. The more remote consequences of the arguments used by Government spokesmen in defense of their case are, however, likely to be very grave, even though those using the arguments appeared to be blissfully and cheerfully oblivious of this. What happened was that the Conservative Party, which hitherto stood for putting a brake on Socialist extravagance, committed itself irrevocably to a policy aiming at outbidding even the Socialists in the sphere of Welfare State expenditure. And, what is even more important, the Conservative Government has made it extremely difficult for future Socialist Governments to exercise restraint in such expenditure even if they wished to do so.

Dr. Paul Einzig

As a result of the progressive decline of the domestic purchasing power of the pound, the real value of old age pensions and of other Social Service benefits is now much lower than it was in 1946 when the National Insurance Act was passed. Even though the benefits were increased on more than one occasion, they failed to keep pace with the rise in the cost of living. That rise took place for the most part during the regime of the Socialist Government in 1945-51. Since the change of Government, the rise has been much more moderate, even though anybody, judging by the outcry made about it by the Socialist, might form the impression that the converse has been the case.

Although old age pensions at their present level are admittedly inadequate, any genuine cases of hardship are relieved by additional financial aid provided by the National Assistance Board. The Socialist objection to this arrangement is that the Assistance Board requires applicants to declare their sources of income before granting additional aid. This "means test" is extremely unpopular. In order to spare the million or so old age pensioners the "humiliation" of submitting to it, the Socialists favor an indiscriminate increase of the pensions, even if this means that, in addition to the million people who really need it, the additional aid would be paid to some three and a half million people who do not strictly need it. In view of the fact that, according to conclusions derived from population statistics, the number of old people in Britain are likely to increase considerably during the next 20 years, the application of this principle of indiscriminate assistance on an increased scale is likely to cost many thousands of millions of pounds in the long run.

During the course of the debate on Nov. 16, the Conservative Government committed itself completely to the principle of indiscriminate assistance. It rejected the idea of the means test so emphatically that the reopening of the matter by any future Government would encouter the utmost political difficulty. Indeed it may be said that the Tory Government showed itself in this respect more Socialistic than the Labor Government that preceded it in office.

Nor is this the most important aspect of what happened on Nov. 16. The way the official Government spokesman argued the case for the Government's policy opened the floodgates for unlimited Welfare State expenditure. This was done under the provocation of the Socialist attempt to claim credit for the proposed increase of pensions, on the ground that the Conservatives only conceded the increase reluctantly under Socialist pressure. In answer, Mr. Macmillan, who was winding up the debate, pointed out that the Socialist Chancellor of the Exchequer, Mr. Gaitskell, only conceded an increase of £39 million, while the Tories granted £100 million immediately after assuming office.

Now it is well remembered that Mr. Gaitskell had a hard and courageous fight against the Left-wing supporters of his Government in 1951 when he attempted to hold down social expenditure. It was no easy task for him to cut the cost of the National Health Service and to resist to some extent the popular clamor for higher pensions. Neither he nor any other Socialist Chancellor of the Exchequer will be in a position in the future to put up such fight. The rank and file of the Labor Party would not stand again for any moderation in Welfare State expenditure. Mr. Macmillan's words would be quoted against any such attempt at Cabinet meetings and Party meetings, in Parliamentary debates and on public platforms. The Socialist Ministers would be accused of being more Conservative than the Tories. Any effort to check social expenditure would mean political suicide.

It seems certain that the two parties will endeavor to outbid each other in making concessions. In the circumstances the British taxpayer has to say goodbye to any hopes of substantial cuts in taxation. The burden of social expenditure must continue to increase, whether Socialists are in or out of office. Nor will taxpayers be alone in paying the price for the debate of Nov. 16. Employers and employees will have to contribute towards the cost of national insurance under the contributory principle which is being upheld. This means that the productive section of the population will have to bear an increasingly heavy burden, much heavier than in other countries. The effect of this on international competitive capacity is bound to affect the British balance of payments. Any hopes of a basic strengthening of the balance of payments must share the fate of the hopes of tax reductions. Not only will it be more difficult to export, but the increase of Welfare State expenditure will tend to stimulate domestic consumption and imports.

The only hope lies in a spectacular increase in productivity, leading to larger output and a genuine increase of the national income, as distinct from a nominal increase through an inflationary rise in prices. In this respect there is a wave of optimism just now in Britain, even though there seems to be no justification for it on the basis of the inadequate figures of capital investment by British industries during the last year or two. With taxation at the present high level, there is indeed little incentive for capital investment. And, owing to the high level of consumption, any substantial increase of capital investment would strongly reinforce the inflationary undertone of the British economy. The existing degree of overfull-employment would become further accentuated, to the detriment of industrial discipline and of productivity.

However, all is rot lost. The next few decades will witness a race between British inventive genius and enterprising spirit on the one hand, and competitive increase of Welfare State spending on the other. It would be unwarranted defeatism to assume that increased productivity will not provide eventually the material justification for increased social expenditure.

Holiday Plastics Stock Offered

S. D. Fuller & Co. is offering 149,500 shares of 25 cent par value common stock of Holiday Plastics, Inc., Kansas City, Mo., at $2 per share. Capitalization upon completion of the issue will consist of 299,015 shares of 25 cent par value common stock.

Of the proceeds from the issue, $105,000 will be used for plant expansion, purchase of additional equipment, national sales promotion and engineering research. Balance of approximately $125,000 will be added to working capital.

The company manufactures Fiberglas reinforced plastics and plexiglas, and is one of the country's few integrated fabricators of plastic materials. Customers include Ford Motor Co., Boeing Airplane Co., Procter & Gamble Co. and many others.

The firm has perfected specialized machinery and techniques to enable it to produce certain Fiberglas products rapidly. Items include aircraft parts, reflectors, instrument cases, dies and jigs.

Sales have risen from $16,994 in 1947 to $432,973 for the year ended Sept. 30, 1954. The company has made a profit every year since the business was started.

The company initiated the payment of dividends in September, 1953 on the no par value common stock which was recapitalized as 25 cent par value stock earlier this year. Dividends have been paid in each succeeding quarter to date on the no par stock. In addition, a 5% stock dividend was paid on such stock in December, 1953. Management intends to pursue a liberal dividend policy, but future dividends, if any, on the new 25 cent par stock will be dependent on earnings, the offering circular states.

Denecke Comptroller Of Harriman Ripley

Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, have announced that Maxwell A. Denecke, Jr., has been elected Comptroller of the firm to succeed Reginald Martine, retired. The firm also announced the election of Charles L. Sticker as Assistant Comptroller and George F. Bauer as Assistant Treasurer.

Mr. Denecke has been associated with Harriman Ripley & Co., Incorporated since 1950. A graduate of New York University in 1938, he established his own public accounting firm that year. Upon its dissolution in 1942 Mr. Denecke joined the accounting firm of Price Waterhouse & Co., an association which continued until 1949 when he became general auditor for Air Reduction Co.

Mr. Sticker joined The National City Company in 1919 and became a member of the Harriman Ripley staff in 1934 where he has served as Auditor.

Mr. Bauer was with The National City Company from 1921 until 1934 when he became associated with Harriman Ripley & Co., Incorporated.

Franklin Archer Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Franklin Archer is conducting a securities business from offices at 8972 Sunset Boulevard.

P. L. Payton Opens

(Special to THE FINANCIAL CHRONICLE)

BELL GARDENS, Calif.—Philip L. Payton has opened offices at 6627 Eastern Avenue to engage in a securities business.

N. Y. Sec. Dealers Receive Nominees

The 1954 Nominating Committee of the New York Security Dealers Association held a meeting on Nov. 22, 1954 and the following members were unanimously nominated to fill the four vacancies occuring on the Board of Governors Dec. 31, 1954:

Maurice Hart

Herbert Singer

Elbridge H. Smith

Eugene G. Statter

To Serve for a Three-Year Period: Maurice Hart, New York Hanseatic Corp.; Herbert Singer, Singer, Bean & Mackie, Inc.; Elbridge H. Smith, Stryker & Brown; Eugene G. Statter, Hoit, Rose & Co.

The following three members were nominated unanimously to act as Trustees for the Gratuity Fund to serve for a period of two years: John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Fred J. Rabe, F. J. Rabe & Co.; Stanley L. Roggenburg, Roggenburg & Co.

The following four members were unanimously nominated to act as the Nominating Committee for the year 1955: George A. Searight; Leslie B. d'Avigdor, d'Avigdor Co.; Irving L. Feltman, Mitchell & Company; James V. Lang, J. B. Lang & Co.

Look Before We Leap!

"If the Communists don't respond to our note and continue to hold our uniformed men in prison in direct violation of the Korean truce, with or without the support of the United Nations we would be justified in clamping a tight blockade on China.

Sen. W. F. Knowland

"We should serve notice on them that no vessel can get in or out of China until these Americans are released. I believe we can make it so expensive to them that our men will be released.

"We have the power to do this and the moral obligation to do it. Those associated with us in the free world should co-operate but I don't think we should give them a veto on our actions."—Senator William F. Knowland.

Certainly we have provocation enough to take drastic action against Peiping. But our own experience in Korea, recent developments in Indo-China, and, for that matter, Japanese experience in China prior to World War II, all suggest that we look before we leap in the instant case.

Continued from first page

Outlook for Construction

all sides, however, no one can honestly say with any real precision how much building actually is getting under way, in progress or being completed. There is an appalling lack of accurate information in this field and especially in non-residential and "fix-up" (i.e., repair and modernization) work. Because of favorable Congressional action two years ago, the U. S. Bureau of Labor Statistics has now been able to improve its widely quoted "nonfarm housing start series" to a high degree of reliability. This series, however, is an exception.

The many gaps in construction statistics not only make it difficult for anyone to follow trends and developments in this major field, but also endanger the economy to the extent that important public and private policy decisions affecting construction cannot be based upon accurate information. The principal reason for these statistical weaknesses can be traced to lack of interest and support in Congress and elsewhere, and not to incompetence of the statisticians immediately concerned.

All available construction barometers and fragmentary statistics, however, tend to confirm the conclusion that another record performance has been achieved this year. Certainly even casual observation lends support to the view that construction has proved to be the strongest single industry bolstering the national economy in 1954.

Such strength—nine years after the end of World War II — obviously is in sharp contrast to most earlier views that a downturn in construction would lead the nation into a fairly severe postwar recession. With another record year coming to a close and a still better construction year being widely forecast, the question naturally arises — what's really going on in the building industry? Put another way—why have conservative forecasts proved to be so wrong year after year?

Bases for Continued Construction Activity

The continuing strength in construction can now be traced to several important factors: (1) actual backlogs of residential and non-residential building needs arising out of the depression and war years have turned out to be much larger than expected; (2) the Korean War has given a new stimulus to building in order to meet requirements for both "guns and butter" in our economy; (3) population increases have continued at a much higher rate than anticipated only a few years ago; (4) individuals and families as well as business organizations have migrated to new locations on an unprecedented scale; and (5) a substantial general increase in personal income has made home ownership possible for millions of families who previously could not afford dwellings of their own.

There are two other factors, however, which far overshadow those already given to explain why the strength in construction has persisted. First, the importance of modern housing in the American standard of living has increased sharply; and second, credit has become more readily and abundantly available than ever before as a result of Federal mortgage guarantee activities and general monetary policies.

A number of recent investigations covering all sections of the United States strongly indicate that the typical American family —despite the postwar building boom—is still more dissatisfied with its present housing than almost any other aspect of its living standards. The typical American family, moreover, since the end of World War II has steadily increased the proportion of its income going for housing and household operations.

As for credit, the record demonstrates forcefully that attractive mortgage terms and conditions have been a dominant factor in postwar home building. The availability of credit, in my opinion, clearly emerges now as the most important determinant of the level of construction activity, since needs for new and improved structures still do not appear in any appreciable degree to have met. Hence, no forecast of construction can be worth much unless it gives major attention to credit developments and prospects.

What Lies Ahead Next Year

Let's now forcus our attention more specifically upon what lies ahead for construction next year. As everyone in this audience knows, the country is now in the throes of another forecasting season. A deluge of forecasts has crossed my desk—and no doubt yours too—in recent weeks covering the outlook for the construction industry as well as for general business. I have summarized these views to find what might be called the "standard" or most commonly accepted forecast.

Let me say at the outset that the outlook is being judged differently depending upon the vantage point of the individual forecaster. In general, those closest to construction are noticeably more optimistic about 1955 than general business analysts and other observers. Nevertheless, the difference is largely a matter of degree, for even those "outside" the industry appear much more optimistic than a year ago.

The "standard" forecast for total new construction in 1955 is really two forecasts—(1) analysts close to the industry foresee a fairly sharp rise of about 7%, whereas (2) observers outside the building field foresee little change from the current level.

Almost without exception, forecasters expect new residential building to be the strongest part of the over-all building picture next year. New nonfarm housing starts during the current year will approach 1,200,000 — the second highest level on record. Next year's new housing prospects are uniformly held by "outside" analysts to be slightly above one million units. In contrast, observers close to the industry are forecasting over 1,250,000 new starts and in some instances well above 1,300,000. Personally I'll settle for a figure close to the 1954 level or around 1,200,000 units, which certainly is a high volume by almost any standards.

In the non-residential field, the "standard forecast" reflects much more agreement among all forecasters. Commercial building is expected to increase about 5%. In contrast, industrial building is unanimously predicted to decline 5% or more.

The expansion in private construction next year is generally expected to be more moderate than the gains in public construction. Federal, state, and local building is widely projected to be much larger next year. This is chiefly because of increased outlays for highways and schools, which are estimated to rise 10 to 20% over their 1954 levels.

There are many more details that might be given about the "standard forecast" for next year, but they would merely provide further confirmation to the almost unanimous view that the construction industry on the whole is headed for another very good year.

As already intimated, my own thinking parallels much of the optimism expressed by others, but I am less convinced that significant gains will be made throughout 1955. In general, I'm willing to accept a "middle ground" position between the extreme views cited. I have some reservations toward the second half of 1955, but readily agree the first half will be very strong—in fact, current contracts and plans already go a long way toward making it so.

While there is certainly good reason to look forward with confidence to record building activity next year, I do not believe that prospects are so strong as virtually to rule out all problems for the industry. Sales may not be too difficult to make — but profits certainly will not be automatic.

Backgrounds for Optimism

Here are a few points which may temper current optimism with realism:

First, despite the record volume of building activity, it is sobering to note that building contractors as well as material distributors, particularly at retail, continue to be among the leaders in business failures relative to a year ago. This is tangible evidence that the building industry, despite boom conditions, is experiencing keen competition. The builders, for example, who fails to understand the changing demand for homes—who tries to sell a 1946 model house in today's market — soon gets into trouble. Similarly, a supplier of materials who "assumes" rather than "knows" his products are "right" for the job, or pays little attention to the quality of his inventory, or the credit status of his customers is not far removed from losses. With a major revolution in materials and methods now under way in the construction industry, there is no permanent place in the industry for the backward or inefficient.

Secondly, a definite and fairly sharp rise in housing vacancies has occurred across the nation during recent months. No one, of course, can say authoritatively what the normal vacancy rate is or should be for today's conditions. But 5% was the widely accepted figure describing "normal" non-seasonal vacancy conditions in the period immediately preceding World War II. The official housing census found a 4% rate in 1950.

Again we have a serious gap in statistics. No regular and comprehensive vacancy figures are available. But carefully drawn sample studies of housing conditions in all sections of this country, conducted for our company, reveal a noticeable increase in vacancies this year. There now seems little question that the housing vacancy rate — covering non-seasonal owner and renter units—is above 5%, and very good reason to believe the figure may be as high as 6% and moving up.

Obviously, there is need for official information promptly on this subject. The proposed new housing census certainly deserves the support of everyone interested in building activity.

While increased vacancies need not affect new home building in the near future, in time—perhaps within a year—they certainly can begin to dampen the entire real estate market. Other information coming to my attention reveals a sharp drop in selling prices of older homes in recent months, which definitely fits in with the upward vacancy trend mentioned. It now seems likely that the point is being approached in the national relationship between numbers of families and available dwelling units where the addition of a new home to the housing inventory more often than not results in a vacancy elsewhere.

Let me repeat—I do not expect these developments to affect next year's home building very much—and certainly not during the next 6-9 months. Nevertheless, these trends should be noted and watched to avoid difficult adjustments at a later date.

Thirdly, the possibility of some tightening in mortgage credit next year should not be completely eliminated. Most of the optimism toward 1955 construction is based upon a firm conviction that there will be little difficulty in obtaining funds to finance a record volume of building. On the basis of current developments and information on hand, this expectation seems quite reasonable. Saving is taking place at a very high rate. The monetary and fiscal authorities give no indication of any plan to restrict or divert the flow of savings from use in mortgages.

Nevertheless, there appears to be some official concern regarding the possibility of excessive home building activity next year. Moreover, any action by the government to check inflationary tendencies elsewhere in the economy, e.g., in the security markets, after some lag, could have an indirect retarding effect upon home building. A sharp increase in new home building itself, of course, could result in some private restrictions on mortgage money availability, unless the government adopted a still easier monetary policy, which seems quite unlikely. I fully agree that the new Housing bill makes provision for an expanded volume of credit in the housing field next year, but merely wish to point out that such a development is not automatically assured, as some observers imply.

Building Not Confined to New Construction

Finally, let me caution anyone who judges construction trends and prospects that building is not confined to new construction. The serious gap in "fix-up" construction statistics already has been noted. Very recent sample investigations by the United States Bureau of the Census as well as studies conducted by our own organization, however, confirm earlier informed views that the total volume of repair and modernization work closely approaches that of new building, particularly in the residential field.

For every dollar currently being spent for new home building, it seems quite likely that at least another 80-90 cents is now being paid to fix up existing dwellings. With modern homes appearing in all communities and a rise in vacancies being observed, it seems safe to conclude that the factor of obsolescense is assuming new proportions in American housing. In fact, seven out of 10 homes in this country now require some "fix-up" work. In addition, millions of families now have the wrong-sized house because of the increased numbers of second, third and fourth births. Wherever possible, many of these families plan to add on a new room or convert some unused space into a living area.

The "fix-up" potential for next year, consequently, looms very large — at least 10-15% higher than the current level—especially if landlords soon begin to recognize the importance of repairing and modernizing their rental units in order to retain tenants.

"Fix-up" activity is big business and can get much bigger if industry and government recognize that the potential in this area is large enough to help stabilize the building industry whenever the volume of new structures begins to shrink. A further sharp rise in "fix-up" work cannot be achieved overnight, however.

Unfortunately it is still difficult for an individual family to plan, finance, and complete a "fix-up" project. The new housing legislation, which legalizes the "open-end" principle for FHA and VA mortgages as well as narrows the financing to expanding gap between new and older structures, will help reduce some of the roadblocks to expanding repair and modernization work.

Earlier this week, the President co-operated in launching the ACTION (American Council To Improve Our Neighborhoods) program. ACTION work over coming years should help immeasurably to stimulate interest in better housing and show the American people how they can improve their homes, protect the value of their housing investments, and prevent the creation of further slums. Needless to say, success of the ACTION program will redound to the benefit of the national economy and to the building industry.

In summary, the construction outlook is bright. The market potential is huge and expanding, but competition already is keen among organizations serving the industry. Moreover, there is increasing competition between products, erection and installation methods, owner vs. rental properties, and newer vs. older structures. With optimism tempered by realism, this industry should give a very good account of itself in helping to support general business activity next year.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Appointment of Nathan E. Evans and Louis Noll as Assistant Comptrollers at **Manufacturers Trust Company of New York** was announced on Nov. 30 by Horace C. Flanigan, President of the Trust Company. Mr. Evans joined the Columbia Bank in 1913 and became associated with the Manufacturers Trust through a merger of the two banks in 1923. He was advanced to Assistant Secretary in July, 1948. Mr. Evans is a graduate of the College of the City of New York. Mr. Noll is a graduate of New York University and joined Manufacturers Trust in 1939 after 19 years in the banking business. He is a member of the National Association of Cost Accountants.

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Approval was given by the New York State Banking Department on Nov. 18 to a certificate atuhorizing an increase in the capital of the **Schroeder Trust Company, of New York,** from $1,000,000 to $3,000,000. The stock is in shares of $100 each.

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E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York,** announced on Nov. 24 that the directors had voted to declare the regular 50 cents quarterly dividend, for the fourth quarter this year, and a 25 cent extra dividend both payable Jan. 3, 1955, to shareholders of record, Dec. 20, 1954.

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At a regular meeting of the Board of Directors of **The National City Bank of New York** held on Nov. 30 T. C. Brew was appointed an Assistant Vice-President. Mr. Brew was formerly a Manager and is assigned to the Bank's Domestic Branch Administration. William R. Coglan, formerly an Assistant Manager was appointed a Manager.

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The First National Bank of Inwood, Long Island, N. Y. (with common stock of $350,000 was consolidated with the **Franklin National Bank of Franklin Square, N. Y.** (capital $6,415,000) as of Nov. 12, under the charter and title of the latter, the proposed consolidation was referred to in our issue of Oct. 14, page 1520. At the effective date of the consolidation the Franklin National is indicated as having a capital stock of $6,665,000 divided into 666,500 shares of common stock (par $10 each); surplus of $6,665,000 and undivided profits of not less than $2,750,000.

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A stock dividend of $100,000 has increased the capital of the **Keansburg National Bank of Keansburg, N. J.** from $100,000 to $200,000, as of Oct. 21.

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The sale of 35,000 of new stock by the **Clinton National Bank of Clinton, N. J.** has enlarged the bank's capital from $95,000 to $130,000, the latter amount having become effective Oct. 27.

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Kingsbury S. Nickerson, President of **The First National Bank of Jersey City, N. J.** announced Nov. 30 that the Board of Directors of the Bank had voted to declare a stock dividend for the first time in the history of the Bank. The propsed stock dividend of 2% (2,400 new shares) will be submitted to the stockholders for approval at the annual meeting on Jan. 11, 1955. If approved it will be paid on Jan. 25 to stockholders of record Jan. 11. The stock dividend would be in addition to the regular quarterly cash dividend of $.50 per share. Giving effect to the current market value of the bank's stock the per share income would approximate $2.89 ($2.00 cash, $.89 stock).

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The First National Bank, at Canonsburg, Pa. with captial stock of $200,000, was placed in voluntary liquidation effective Oct. 8—its business having been taken over by the **Peoples First National Bank & Trust Co., of Pitts-burg, Pa.**

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The City Bank and Trust Company of Reading, Pa., anticipating the most profitable year in its 20-year history, has declared an extra dividend of 50 cents per share and a semi-annual dividend of 70 cents per share. The dividends, payable Jan. 3, will be paid to stockholders of record Dec. 15. John D. Heckman, President, told members of the board at a recent meeting that the stock, having a par value of $10 per share, is expected to have a book value in excess of $45 by the end of the current year. The comparable dividend payment a year ago was 50 cents regular and 60 cents extra, Mr. Heckman said. At the semi-annual period July 1, 1954, the regular dividend was increased to 60 cents per share.

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The First National Bank at Beaver Falls, Pa. with common capital stock of $100,000, was placed in voluntary liquidation Nov. 6, the bank's affairs having been taken over by the **Mellon National Bank & Trust Company of Pittsburgh, Pa.**

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The Merchants National Bank & Trust Co. of Meadville, Pa. has enlarged its capital from $150,000 to $450,000; part of the increase—($200,000) was brought about by a stock dividend, while the additional $100,000 represented the amount resulting from the sale of new stock; the enlarged capital became effective Oct. 20.

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The First National Bank of Aberdeen, Md. now (Oct. 27) has a capital $200,000 as compared with $100,000 previously. Part of the increase resulted from a stock dividend of $50,000 while the sale of new stock likewise yielded $50,000.

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The capital of the **Greenville National Bank, of Greenville, Ohio** has been increased from $150,000 to $250,000, as of Oct. 20. Of the $100,000 increase, $50,000 resulted from a stock dividend, while the additional $50,000 was yielded through the sale of new stock.

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The Van Wert National Bank of Van Wert, Ohio, increased its capital effective Oct. 11 from $150,000 to $200,000 by a stock dividend of $50,000.

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As of Oct. 25 the **Merchants National Bank in Chicago, Ill.** increased its capital from $800,000 to $1,000,000 as a result of a stock dividend of $200,000.

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The Lake Shore National Bank of Chicago, Ill. has increased its capital from $1,250,000 to $1,500,000 as a result of a stock dividend of $250,000; the enlarged capital became effective Nov. 17.

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An increase in the capital of the **American National Bank & Trust Company of Chattanooga, Tenn.,** is reported as effective Oct. 27, the amount having been increased from $2,000,000 to $2,500,000 as a result of the declaration of a stock dividend of $500,000.

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As of Nov. 2 a merger of the **First National Bank at Bessemer, Ala.** (capital $200,000) into the **First National Bank of Birmingham, Ala.** under the charter and title of the latter was approved by the Comptroller of the Currency and made effective at the close of business on the date indicated above. The First National Bank of Birmingham, which prior to the merger had a common capital stock of $7,000,000, had at the effective date of the merger a capital stock of $7,370,000 divided into 294,800 shares of common stock—par $25 each surplus of $7,200,000 and undivided profits of not less than $5,000,000. The former location of the main office of the **First National Bank at Bessemer** will be known as the "Bessemer Branch" of the **First National Bank of Birmingham.**

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A consolidation of the **Commercial Nationaly Bank in Shreveport, La.** (capital $2,000,000) and the **Continental-American Bank & Trust Co. of Shreveport,** with common stock of $1,400,000 became effective at the close of business Oct. 30. Th econsolidation was effected under the charter and title of the **Commercial National Bank in Shreveport.** The latter, at the effective date of the consolidation had capital stock of $3,725,000, in 149,000 shares of common stock, par $25 each; surplus of $2,775,000 and undivided profits of not less than $200,000.

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The Citizens National Trust & Savings Bank of Riverside, Calif., recently opened its newest bank building, the new home of the Hemet Office at Hemet, Calif. The public was invited to attend the Open House between 3 and 9 p.m., according to W. W. Watson, Vice-President and Manager of the Hemet Office. Guests toured the building, received refreshments and souvenirs. The new $200,000 structure was designed by architect Victor Gruen A.I.A., of Los Angeles and New York. Architecturally, it is said to be the most distinctive building in the bank's group of 16 offices in Riverside and San Bernardino counties. Triple the size of former quarters occupied by the Hemet staff, the new building, in its second story wing, incorporates a large employee lounge with complete built-in kitchen equipment. Gilbert H. Lehman, Assistant Cashier in charge of the bank's property development, supervised construction.

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Sydney G. Dobson has announced his retirement as Chairman of the Board of **The Royal Bank of Canada,** head office in Montreal. His action terminates the active part of a banking career which began at the turn of the century in Sydney, Nova Scotia. Mr. Dobson became Assistant General Manager of the bank in 1922 and was made General Manager in 1934. He became a member of the board of directors in 1939, lated was elected a Vice-President and in 1945 was made Executive Vice-President. He became President of the bank the following year and was appointed Chairman of the Board in 1949.

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Announcement was made on November 29 that **The Canadian Bank of Commerce** (head office Toronto) is offering 750,000 additional shares of capital stock to its shareholders at $27 per share, Canadian currency, on a basis of one new share for each four shares held. James Stewart, President, in making the announcement said that rights will be provided on the basis of one for each four shares held by the shareholder, and he pointed out that the new issue will increase the paid-up capital by $7,500,000 and the rest account by $12,750,000 and that the capital funds of the bank will then exceed $101,000,000.

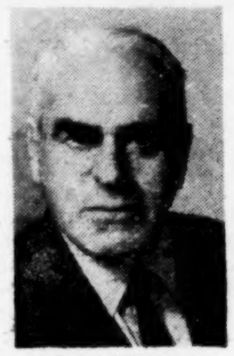
In a letter to shareholders, Neil J. McKinnon, Vice-President and General Manager, stated that the increase in the bank's capital funds is desirable in view of the continued growth in the bank's business. The last issue of capital stock took place 25 years ago and since then the total assets have increased by $1,300,000,000 to a present total of over $2,058,000,000. Enlarge capital funds will enable the bank to participate to an even greater extent in the future growth and development of the country.

Subscription warrants will be issued Dec. 15, 1954, to shareholders of record Nov. 26. Rights for fractions of shares will not be issued as this is not permitted under the Bank Act. The warrants are transferable but the right to subscribe must be exercised by the expiration date, March 15, 1955. Each new share may be paid for in 10 equal instalments on the 15th day of each month commencing on March 15 and ending Dec. 15, 1955. Such payments or, if desired, payment of the whole or any part of the purchase price may be made at any branch of the bank on or after Jan. 3, 1955.

The notice to shareholders further points out that the new shares will qualify for dividends immediately upon subscription but, only for the same proportion of the dividend as the total amount of payments made on or before the record date of such dividends bear to $27. As the new shares are not being registered under the United States Securities Act of 1933, subscription cannot be accepted from any shareholder whose recorded address is in the United States or in a territory or possession. However, United States shareholders will be provided with subscription warrants which they may sell.

Ward International Corp. Formed in NYC

Announcement has been made of the formation of the Ward International Corporation, with offices at 420 Madison Avenue, New York City. The new corporation plans to engage actively in the private financing of industrial enterprises as well as the purchase of industrial corporations. Richard Weininger, President of the Ward International Corporation, is also Chairman of the Executive Committee of the New York & Cuba Mail Steamship Company, a Director of Nedick's, Inc., the C. & C. Super Corporation and the Consolidated Royalty Oil Company.



Richard Weininger

Other officers of the new corporation are Thomas J. Stevenson, Jr., Executive Vice-President and Edward L. Hutton, Vice-President. Mr. Stevenson is also Executive Vice-President and Director of the Stevenson Lines and a Director of the New York & Cuba Mail Steamship Company. Mr. Hutton is a Director of the International Bank of Washington, D. C. and of the Liberian Trust Company.

Profit Sharing Systems

MANCHESTER, N. H. — Profit Sharing Systems, Inc., has been formed with offices at 1015 Elm Street, to engage in a securities business. Herbert S. Call is a principal of the firm.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Herman Lazoff has joined the staff of Daniel D. Weston & Co., 118 South Beverly Drive.

Continued from first page

The Economic Climate Ahead

the longer term look at the future. In the second half of my talk I will return to the short-term outlook and try to picture in rather specific terms the course which I believe business activity will follow in 1955.

In looking ahead to 1965, it would be convenient if we could just extend a few lines on a chart and read off the appropriate figures. Unfortunately, our economic system does not move in straight lines, so that to develop a reasonably accurate forecast for 1965, it is necessary to go through a rather complicated analysis of population growth, of the movement of population through the various age groupings, of the change in the labor force, of trends in output per worker and in prices, and in a host of other interrelationships in our complex economy.

I have no intention of imposing on you to the extent of detailing all of this work. I present here simply the conclusions which my approach indicates regarding our economic system in 1965.

The Gross National Product of the United States at present is $356 billion. In 1965, it will be in the neighborhood of $540 billion. In other words, the value of all goods and services produced in the United States in 1965 will probably be over 50% greater than at present. Such a rise seems impossible until we think back to the fact that in 1939 the GNP was only $91 billion.

In 1965, the population of the United States will number about 190 million — an increase of 37 million persons over the present population. The size of this increase in the market for our products is staggering. The question of excess productive capacity takes on quite a different aspect when we realize that we must increase our output more than 20% over present levels just to supply the increase in our population with no allowance for any improvement in standard of living.

The civilian labor force in 1965 will rise to 77 million, 12 million above our present labor force. Despite a reduction in working hours, the increase in our working population, along with rising productivity, will produce a total personal income in 1965 of about $420 billion, compared to $285 billion at present.

To give you some idea of what this would mean to individual incomes, you might note that personal income per employed worker is at present about $4,400 a year. In 1965, this will rise to $5,500 a year, an increase of 25% above present income levels.

The economy of 1965 will require business expenditures on plant and equipment of about $55 billion a year, compared to $36 billion at present. Home building will be just entering in 1965 a record production era, reflecting the fact that the high birth rates immediately following World War II will result in high marriage and birth rates beginning in 1965. The construction industry as a whole will be booming. (I might add right here that in my opinion the construction industry is, in 1954, on the threshold of the greatest boom in its history. It is likely to keep right on going all through the fifties and the sixties at an extremely high level.)

The picture that I have given you of our economy in 1965 is a rosy one. Yet this is no dream picture. The figures I have been quoting are well within the capabilities of our economy. They are in fact based on fairly conservative assumptions as to improving productivity. I believe that the long-range plans of American business should be laid on the basis of an economy **not less** than that I have pictured.

But even though my projection is a fairly conservative one, there is one aspect of the picture which I do not believe will be achieved without a good deal of original thinking and effort on the part of the financial community.

A Tremendous Volume of Savings Coming

The economy I have pictured will generate a tremendous volume of savings. The flow of investable funds in 1965 may well be double what it is today. Now a large volume of savings, or investable funds, is desirable. High savings are an attribute of a wealthy nation. They are also the means through which we enlarge our capital plant and equipment and thus raise our standard of living. But savings do not turn into capital goods by themselves. They do so only if some businessman has the vision and the courage necessary to risk those savings by spending them in order to create real capital goods.

This points up the tremendous importance, in a free enterprise economy, of increased incentives to capital investment. It also points up the importance of borrowing. Our problem, stated simply, is to make sure that for every saver there is always a borrower. We do not want to reduce saving. But we do want to make sure that money which is saved does not lie idle. It must be returned to the spending stream so that it will continue to serve its real function of calling forth productive business activity.

The challenge to the financial community is clear. Those of us who are lenders must be ever on the lookout for new and productive ways to invest the funds at our disposal. We must be flexible and willing to shift our lending patterns with the changing structure of the economy. All of us must take a longer run view in our capital investment programs, being willing to look beyond minor downturns in business activity to the long-term growth potentials of the economy. Finally, we must all work for an economy with an atmosphere which encourages risk and venture, which is willing to give advantages— in the form of tax liberalization or improved earnings prospects— to those businesses which are willing to try new techniques, to hasten the introduction of new capital equipment, and to raise the standard of living of the American consumer through the introduction of new or better products. If we will enlarge our real-capital-creating horizons, the economy I have pictured as probable in 1965 will, I am, confident, be substantially exceeded by our actual achievement.

Now, let's turn from the long-run point of view to the problems facing us in the immediate future. What is likely to happen to business activity in the year immediately ahead of us?

Business activity in a free enterprise economy depends on spending. Our productive machine is not directed by orders from some central politburo. Instead, it responds both in direction and in volume to the orders of the market-place—that is, to the pattern and the volume of spending.

Business Activity in 1955

If we want to know what is going to happen to business activity in 1955, we must therefore ask ourselves what is going to happen to spending. My procedure will be to discuss briefly what is likely to happen in each of the principal spending segments of the economy. We can then add up all of these separate spending segments to arrive at the total spending and therefore the total level of business activity. The five spending segments I will discuss are: Government spending, business capital spending, business inventory spending, consumer spending, and a particular type of consumer spending — spending on home building.

First, Government spending. During the past year Federal Government purchases of goods and services have fallen from the peak annual rate to $62 billion reached in 1953 to $49 billion at present. Thirteen billion dollars of Federal demand has therefore been removed from the economy during the past year. This reduction in Government spending has been a necessary correction from the extremely high post-Korean War levels of early 1953. Spending on defense has been reduced markedly, and economies have been effected in various branches of Government operation. While the reduction has therefore been necessary for effective and efficient Government operations, there is at the same time no question that this spending decline has had a depressing effect on over-all business activity. In fact, the decline in Federal spending; along with the decline in inventory spending, explains entirely the adjustment which business has been undergoing during the past 12 to 14 months.

Since falling Government expenditures have been one of the main forces constituting a drag on the economy over the past year, it is very important to inquire into what may be expected of Government expenditures in the coming year. We naturally turn for this information to the Executive Budget which estimates expenditures for the 1955 fiscal year. In the September revision of the budget it is estimated that administrative budget expenditures will decline during the fiscal year ending in the middle of 1955 by $3.6 billion. The cash budget, which is somewhat more informative for our purposes, estimates a decline in Federal spending of $2.4 billion.

Neither of these measures, however, is a true estimate of Federal purchases of goods and services, since in both types of budget many expenditures are included which are not, in fact, spending for the purchase of goods and services. We must therefore attempt to estimate what is likely to happen to just that type of Federal spending which has a direct effect on business activity—that is, Federal purchases of goods and services. The best way to make this estimate is to look at what is likely to happen to major national security expenditures. In fiscal 1955 major national security expenditures (i. e. spending for defense, atomic energy development, and stockpiling) are estimated to decline by $4.3 billion below fiscal 1954. Since total Federal purchases of goods and services are likely to move very closely with major national security expenditures, we might at first glance conclude that we must look for a further fall in Federal purchases of goods and services by something over $4 billion.

A closer look at recent Federal security expenditures, however, indicates that Federal spending for this purpose has already dropped in the past few months to a level close to that projected for full fiscal 1955. In other words even though it is true that Government spending in the full fiscal year 1955 will be something like $4 billion less than in the full fiscal year 1954, it is also true that the Federal spending rate has **already** dropped very close to the level indicated by the 1955 budget. Federal security expenditures need not drop more than $1 billion below the present rate in order to achieve the 1955 projected budget total. In addition to this $1 billion decline in security spending, it is quite possible that there will be some small decline in nondefense expenditures, particularly in connection with the farm price support program. Perhaps the best estimate for Federal spending next year is to say that it is likely to be not much more than $1½ billion below the present rate. When we compare this decline of $1½ billion in the coming year with the decline of $13 billion in Federal spending in the past year, it is apparent that most of the downward force exerted on the economy by the Federal Government during the past year will be removed in the coming year.

At the same time that Federal spending is falling by a billion and a half dollars in the coming year, state and local government spending will probably rise by about $2 billion. A good part of the increased state and local government expenditures will center in the construction field. State and municipal bond flotations have been very heavy this year, and bond proposals approved by the voters are running 23% above 1953. Increased building of highways, bridges, waterways, sewerage and waterworks, and public buildings will not only swell state and local government expenditure totals but will be one of the prime factors in the continued prosperity of the construction industry.

Summing up for Government spending as a whole in 1955, I therefore conclude that Federal expenditures will fall by about $1½ billion, state and local expenditures will rise by about $2 billion, and total Government spending will thus remain at almost exactly its present level over the coming year. Although Government spending will therefore not lift business activity above its current levels, it is important to remember that the downward drag of declining Government expenditures which has characterized the past year will no longer be present in 1955.

Now let's move to the second spending sector of the economy— business spending on inventories. Like Government spending, business spending on inventory in the first half of 1953 was at an excessively high rate. The extremely high level of total business activity in the first two quarters of 1953 was truly an artificial rate, buoyed up by overinflated Government and inventory spending. In the second quarter of 1953 businessmen were adding to inventories at an annual seasonally adjusted rate of $5½ billion. That is, through their inventory purchases they were forcing productive activity to maintain a rate $5½ billion above the rate which ultimate consumers were willing to endorse.

By the middle of 1953 it became apparent to businessmen that the rate of inventory accumulation was too great, so that they cutback their orders in an attempt to reduce inventories. By the end of 1953 they had not only halted the inventory accumulation, but were liquidating inventory at a $4 billion rate. This meant that consumer purchases were not calling forth the full amount of business activity which their volume warranted. Business was in effect living off the excessively high productive activity of the first half of 1953. Since the end of 1953 inventory liquidation has continued at about the same $4 billion annual rate. If, therefore, we compare the present with the middle of 1953, we find that inventory spending has shifted from a plus $5½ billion to a negative $4 billion—a substraction of $9½ billion from the total demand for goods and services.

Here again, as in the case of Government spending, the adjustment has been a necessary and healthful correction from a previously overinflated state. But also, as in the case of Government spending, the necessary correction has been rather painful and has constituted a strong downward pull on the economy as a whole. The total subtraction in demand because of the reduction in Federal spending and because of the reduction in inventory spending has amounted in the past year to $22½ billion. The fact that business as a whole has continued at levels within 2 to 3% of 1953 in the face of this tremendous subtraction of demand is eloquent testimony to the underlying strength and buoyancy of our economy. Only a very healthy economy could have stood up under this tremendous downward drag.

Inventory Adjustments

The important question for 1955 is "Has the inventory correction been completed?" Almost $5 billion has been subtracted from the peak inventory total reached in September, 1953. At the same time, however, total sales have declined $2.5 billion. The ratio of inventories to sales, while considerably improved over end-of-1953 figures, has therefore not improved as much as the drop in inventories alone would suggest.

Nevertheless, inventory-sales rations in must lines have been brought a reasonably satisfactory position. The important point is not really whether inventory-sales ratios now are reduced to what they were in some so-called normal period. The important point is whether or not businessmen are reasonably satisfied with current ratios.

There is increasing indication that, from the standpoint of most businessmen, the inventory correction has proceeded far enough. At the retail level, inventories have remained stable now for a good many months. Manufacturers are still reducing inventory, but a comparison with experience in the 1949 business dip suggests that the adjustment is about completed.

An inventory adjustment normally proceeds in three fairly clearly defined stages. When it is seen that inventories are too high, manufacturers cut orders for raw materials and parts. This first stage in the inventory adjustment occurred last December. Next, manufacturers begin to reduce goods in process by working them up into finished products and not replacing them. This second stage in the adjustment began last January. Finally, manufacturers are able to begin to reduce their stocks of finished goods. This stage began last May.

As the process of inventory correction is completed, the same sequence of stages occurs again. It is significant that, last July, manufacturers stopped their reduction of raw materials and parts. These had apparently been brought into satisfactory volume. We are probably now at the bottoming-out of the second stage, that is, goods in process. Since total inventories usually bottom out at the same time the second stage is reached, it is a pretty safe bet that manufacturing inventories are now at the low point. The revival of steel production, which was up slightly in August and fairly substantially in September and October, further supports the view that manufacturers' inventories have been cut sufficiently.

If I am correct in believing that the inventory liquidation is over, this would mean that sales can now be translated fully into production and we will stop living off the productive activity of previous years. The $4 billion downward force of inventory liquidation will be removed from the economy, and this in effect will constitute an addition of $4 billion of orders for production, so that business activity will end to rise by that amount. This termination

of inventory liquidation, along with the leveling in Government expenditures to which I have previously referred, will, I believe, provide the spark which will start the economy on the upward path.

Plant and Equipment Expenditures

The third spending segment in the economy is business expenditures on plant and equipment. This type of spending, like Government spending and inventory spending, has also been declining during the past year, but much more gently. The principal reason for this decline has been the rather sharp drop-off in purchases of durable equipment. Construction of business plant has continued to rise during the year, though not at a sufficiently rapid rate to offset the decline in the larger durable equipment segment of capital expeditures.

I feel that these two diverse tendencies will be continued into 1955. Commercial and industrial construction will probably be up by about 5%. Construction of factories will remain at about the present level, while the building of office buildings, warehouses, and other commercial structures will rise substantially. Over-all plant construction next year should be up about one-half billion dollars over the 1954 rate.

Durable equipment purchases, on the other hand, are unlikely to rise from present levels. Research studies by the Machinery and Allied Products Institute indicate that the need for replacement of durable equipment during the next decade will be very large. There has, furthermore, already been an encouraging rise this fall in new orders for machinery and machine tools. But order backlogs have been reduced to such extremely low levels in 1954, that a substantial rise in new orders will be necessary just to maintain present production levels. Total durable equipment purchases are therefore likely to remain in 1955 at about their present level.

A favorable factor for both plant and equipment expenditures is provided by the new tax law. Improved provisions with respect to amortization of capital goods for tax purposes should accelerate the retirement and replacement of plant and equipment as well as provide additional internally generated corporate funds for capital expenditures. The full effect of the law, however, will probably not be felt as early as next year. Total capital expenditures are therefore likely to remain in 1955 close to present levels, possibly rising by one-half billion dollars because of increased plant construction.

Let me review the spending segments thus far in our discussion. We have said that Government expenditures next year will remain at about their present level. Inventory spending will contribute a plus $4 billion to total demand. Business capital expenditures will be level to up one-half billion dollars. Our analysis of business thus far indicates a rise of $4 to $5 billion in total spending, and therefore a rise in business activity by that amount. But we have still to account for the largest segment in the economy, that is, consumer spending. In order to calculate consumer spending, we must estimate what will happen to the total employed labor force, what will happen to average hourly earnings, and what will happen to average hours worked per week. From these estimates, plus an estimate of interest, rental, and property income, we can calculate what is likely to happen to personal income in 1955. Allowing for taxation and savings, we can then derive personal consumption expenditures.

In 1955 I estimate that the labor force will increase by 800,000. The number of employed will rise by a million and a half. Unemployment next year will average just under 4% of the labor force, which, I might emphasize, is close to the normal relation for prosperous periods short of all-out booms. Considering the over-all business situation, along with the bargaining power of labor, I estimate that average hourly earnings will probably rise in 1955 by about four cents an hour. I believe that the workweek will remain at about its present length. Labor unions will undoubtedly renew in 1955 their long fight for shorter hours, but the slow improvement in general business conditions will tend to offset the effect of labor union demands, so that the average hourly workweek is likely to remain at about 39.8 hours.

There will be some reduction in income coming from unemployment compensation.

Wage and Salary Income

The increase in the labor force, the increase in hourly earnings, the constant workweek, and the decline in unemployment compensation — all should result in wage and salary income in 1955 about 4% above 1954, or about $8 billion above the present annual rate. Since business and farm income will rise much more moderately, a total increase of $9 billion in personal income in 1955 appears likely. This will mean that personal income in 1955 will run at about a $295 billion annual rate. When we subtract estimated taxes from this $295 billion, we arrive at an estimate of disposable personal income in 1955 of about $261 billion.

The pickup in consumer purchases of durable goods in 1955 will probably hold personal savings down to $18 billion—slightly below the figure for 1953 and 1954. Personal consumption expenditures for the full year 1955 are therefore estimated at $243 billion—**$9 billion above the present level.** This rise of $9 billion in consumer spending will provide a strong upward force in the economy and should do much to spark the expected advance in over-all business activity.

The last spending segment in the economy is consumer purchases of homes. This is an area of the economy in which my company is vitally interested, since we are the largest single mortgage lender in the United States. Because of our particular interest we have of course made extensive studies of the housing market. I **should** consequently be able to speak with assurance about home building in 1955. But, actually, I am more uncertain about a forecast of this particular spending segment than any other in the economy.

I can say this—all **present** indications point to another boom year in residential construction in 1955. Contract awards for residential construction thus far in 1954 are running 26% ahead of 1953. In the month of September alone contract awards were 53% ahead of September, 1953. Home building itself is now running at the rate of over 1,200,000 houses a year. We have on the books a Housing Act which grants extremely liberal terms on Government insured loans. There is a bountiful supply of mortgage loan funds, and if my company is any indication, there will continue to be a bountiful supply in 1955.

All of these factors point to a home building year in 1955 higher even than 1954.

But there is another side of this picture. According to our calculations **newly created** demand for homes in the U. S. is running at present at only about an 800,000-a-year rate. Production above the 800,000-unit-a-year rate is thus possible only on the assumption that there remains a backlog of housing demand from previous years.

There is a backlog of around 600,000 over-age houses in the United States. But it is not as easy to persuade someone to move out of an over-age house as to persuade him to stop living with his in-laws. I think it is going to be hard work to get these over-age homes retired. Production above 800,000 starts a year will therefore come hard. The new Housing Act may do it. Slum clearance programs will help. My own feeling is, however, that housing starts next year will not equal the 1954 figures. Spending on homes will, I believe, drop by about $1 billion next year.

Conclusion

Now in conclusion let me sum up the spending segments we have discussed in order to arrive at our estimate of over-all business activity. Our conclusions have been that Government spending (Federal, state and local) would remain at its present rate, that business capital spending would be level to up one-half billion, that the cessation of inventory liquidation would provide an upward force of $4 billion, that consumer spending would rise by $9 billion, and that home purchases would fall by $1 billion. When we sum up all of the separate segments, we find that total spending in 1955 is likely to rise by $12 to $13 billion above the present spending rate.

At present we are spending at a $356 billion annual rate. Total spending in 1955—or, to use an equivalent term, Gross National Product in 1955 — is therefore likely to run around $368 billion.

I think we can thus look forward to 1955 with considerable optimism. It won't be a boom year. We won't have inflation, shortages, overtime, high-cost operations. But we don't want that kind of economy. What we will have will be a quiet, steady advance in our standard of living, on a sound and efficient basis—a good laying of the groundwork to ensure prosperity in the years to follow.

Morgan Stanley Group To Underwrite Issue Of Belgium Bonds

His Excellency, Baron Silvercruys, Ambassador of the Kingdom of Belgium to the United States of America, announced that the Kingdom of Belgium filed on Nov. 26 with the Securities and Exchange Commission a registration statement relating to a proposed issue of $30,000,000 Kingdom of Belgium External Loan bonds, consisting of $5,000,000 of 3-year bonds, $5,000,000 of 4-year bonds, $5,000,000 of 5-year bonds and $15,000,000 of 10-year Sinking Fund bonds. The Sinking Fund bonds will have a sinking fund commencing in the sixth year sufficient to retire the entire issue by maturity.

The public offering of the bonds will be underwritten by a nation-wide group of investment banking firms headed by Morgan Stanley & Co. and Smith, Barney & Co. and is expected to be made on or about Dec. 15, 1954.

The Kingdom of Belgium is also discussing with the International Bank for Reconstruction and Development a $20,000,000 loan having maturities subsequent to 1964. The purpose of the sale of the bonds and of the International Bank loan would be to assist in financing the cost of certain projects being undertaken by the Belgian Government.

Securities Salesman's Corner

By JOHN DUTTON

I Have a Friend

I have a friend — and who is he? He's just an average fellow that has worked pretty hard all his life. He has accumulated some capital, possibly $25,000, or maybe $50,000 or $100,000, or for that matter it could be a million or two. Some of it he didn't earn with his sweat and toil. But at least he got his start that way. He put a portion of his earnings aside and he invested this nest egg, either in a business to which he gave unstinting time and attention, or a profession, or a gradually accumulating amount of sound common stocks that grew and increased in value as our country became larger, richer, and he got older.

Today he is living the same sensible life that he pursued when he was actively building up his estate. He may still be working full time, or part time, or he could even be retired (after a fashion). But his affairs are in order. He watches over his investments. He keeps records of his income and the earnings of the corporations in which he is an investor. He makes occasional changes in his portfolio of securities when underlying values seem to indicate that this should be done. He reinvests in other securities, when the surplus that is left to him and his family (after he pays his income tax) has accumulated to a point that enables him to do so.

He Doesn't LOOK for the IMPOSSIBLE

Every three months he goes over his list of investments and if there are any changes that are desirable they are consumated. Early in November he makes a special appointment to go over his entire protfolio so that any tax-loss sales that might be advantageous to him can be handled long before the Chistmas rush and the year-end dead-line is upon us.

He never calls up for a hot tip on the market—nor does he complain if some stock he might buy declines a few points just as long as the situation is sound and the outlook is favorable for the longer-term. When a new issue comes along that is attractive he is always ready to give me a receptive ear, and if I cannot allot him as much as he might wish he doesn't complain and tell me that if he were doing business with one of my competitors they would do better for him.

He doesn't bother me everyday, or several times a day, for quotations, statistical reports, services, news items, or try to monopolize my time socially. He knows I am busy and when he calls me on the telephone he comes to the point and is specific as to the information he desires and needs.

Every once in a while he will send a friend in to see me. He knows that I still have to work for a living and he understands that I am trying my level best to do the most effective and conscientious job in his behalf of which I am capable. So he appreciates this and he has confidence in my integrity as an investment broker, even though I have the human frailities that are common to all mankind.

He never tells me that the country is going to the dogs. He doesn't believe that, despite all our ups and downs, that the nation is going to go backward, but on the other hand he has faith in the future and in the great business organizations in which he has been a successful investor for many, many years. He votes, he pays his taxes, he keeps his accounts, he watches over the property that his ability has enabled him to accumulate for his family, and I am the lucky fellow that does business with him.

He is my ideal customer — I don't have many like him — but I have a few—and if you think I am going to tell you who they are and where the live — don't bother writing to this column. But there are such people around —and so the old saw goes, "When you find them, cover them up well at night, and don't let them catch cold," for they are the answer to every investment salesman's prayers and thank the Lord for them, for they are the people who did so much to make this land of ours the great country it is today.

P. S. I wrote this article on Thanksgiving Day—We can all be thankful for our customers, for their confidence and good will. Let's keep it that way.

New Wm. R. Staats Branch

SALINAS, Calif. — William R. Staats & Co. has opened a branch office in the Salinas National Bank Building under the management of John P. Steele.

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As We See It

always seek office—and all too often succeed in obtaining office.

A Few Real Statesmen

Fortunately, of course, there are among those elected to govern us, individuals here and there of broader vision and greater wisdom. They always tend to hold the rash, the thoughtless and the time server in check. They have, however, always been under a handicap in dealing with the colorful popular hero. They are more at a disadvantage now that radio and television are available. The real statesman has always been the man who not only well knew what was good for us all, but who was skilled in leading the people to recognize and understand what was good for them. The Administration in Washington has, as others before it, been trying to make use of modern means of communication to lead the thinking of the people of this country rather than to seek out what they are already thinking and making certain that the powers that be keep in step with it. Nor is this sort of "politicking" confined to the Administration.

But the serious effort to lead the thinking of the people is still far too limited. The theme is all too often what is good "politics" — particularly during years immediately preceding major campaigns and elections. It is during these intervals that "records" must be made, and the professional politician is primarily interested in seeing to it that this record is of the sort that can be exploited easily and effectively at the polls. The big questions of the day are, or should be: How can those individuals in and out of public life who are primarily concerned with the choice of wise and far-seeing public policies get a wide and effective public hearing, and how can they be persuaded to make full use of such opportunities as they have? Cheap politics is usually quite distasteful to such men and competition with the demagogue is even more so.

Yet it seems to us that need for prayerful attention to such matters was never greater or more urgent than it is today. One needs only to ponder the daily grist of news and comment from the national capital or from many of the state capitals to find ample substantiation of this view. There is the old, old farm problem, which comes down from history but which grew to real seriousness and urgency during the Hoover, and particularly the New Deal and Fair Deal, Administrations. President Eisenhower, much to the dislike and distrust of many in his own party, undertook a short step away from the anomalies of past policies. It is definitely not more than a very, very short step. The situation is still quite absurd in its unsoundness. What we should be hearing from Washington is about formulation of plans and programs to continue the long journey back to rationalism in this matter of agricultural policy.

What is the tenor of reports actually reaching the public? Why, they concern themselves almost wholly with the question as to whether the Democratic party will now make a determined effort to undo what the Eisenhower Administration has done, and, further, whether or not there will be a determined effort on the part of strong elements in the President's own party to persuade the Administration to "beat the Democrats to the punch!" We can not recall a single effort to refute the overpowering logic of the President's appeal to the people in behalf of his modification — as small as it really was — of the extravagances and the nonsense of the New Deal and the Fair Deal. Interest, on the contrary, seems to lie wholly, or almost wholly, in the relative vote getting power of the various types of farm programs—and that in the face of the election returns in the agricultural states this year!

Tax Politics

And, there is the tax issue. The Democratic politicians did their utmost to tack on to the tax bill last year provisions which would have "played politics" to the hilt by the old trick of bringing relief to the man with small or relatively small income, and thus making a system of national income taxation more than ever a "soak-the-rich" measure. They failed, but they have not given the idea up if one may trust the dispatches now coming out of Washington. On the contrary, it is said to be regarded as offering an excellent opportunity to make a record next year (or the next) for use in the 1956 campaigns — an excellent record, so the story goes, whether they succeed in amending the law or not. There are certain members of the Congress who—let's be perfectly fair about it—quite sincerely believe that such a course is best for us all, but who can doubt that the movement has real strength behind it for the simple and sole reason that it is believed to be a vote getter?

Consider further all the hullabaloo about the so-called Dixon-Yates contract. We no more than the man in the street are familiar enough with the details of this compact to pass judgment upon its merits at all points. We have seen no reason to suppose that it is in any sense any sort of "give-away," and we do not believe that it is. We are heartily in accord with the Presidential purpose in proceeding in this way, and we find it difficult to understand how any one can fail to be who is not a socialist at heart. But the big thing about this whole business is the obvious and even blatant way it is being debated and used as a political tool. The few who really believe it to be the *bete noire* it is described to be could hardly be found, we are certain, in the crowd of those who think it good campaign material for the Democrats — and who are chiefly interested in this aspect of the case.

How can we proceed to make the good of the country rather than the good of the Democratic or the Republican party the goal of us all?

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Insurance Agent as Salesman of Both Insurance and Mutual Funds

petition by giving them a more competitive product.

The policyholder does not take any formal action on the annuity feature of the program until retirement. At that time, at his option, the Foundation will begin to liquidate his investment. This is the way our plan works. Between ages 65 and 75, for example, the policyholder will redeem a certain number of his shares each year, using part of them to buy a deferred annuity to begin payment at age 75. The rest of the savings, of course, he will use to live on.

In this way, he has two extra protections: one, he can take advantage of all higher yields and increase in the share price by only withdrawing part of his savings each year; and two, should he live on after he has used up his savings at 75, he will have a life annuity until the day he dies.

All of these package features, of course, are purely voluntary. The investor in Mutual Income Foundation can cash in his certificates at any time. He can purchase any type of life insurance he wishes—on one at all. And he doesn't have to follow our special retirement annuity plan at age 65 if he doesn't want to. None of this is binding: it is only a suggestion for estate planning worked out in order to meet all reasonable risks of a man's savings and retirement program.

But you may ask, is this any better than present endowment policies and annuities? Fortunately, we have the performance records of Mutual Income Foundation for 21 years now. Here is a comparison of savings through Mutual Income Foundation, with self-completion insurance, for the 20 years ending Oct. 31, 1954, and the results of a standard 20-year endowment policy giving the same life protection. Net costs were equal in the two cases:

	Amount of Accumulation
20-year Endowment Policy	$1,000
Mutual Income Foundation, (with self-completion insur.)	2,170

The experience under the retirement phase of the plan is also favorable to Mutual Income Foundation. Comparison was made between a life annuity at age 65 (10 year certain) and the Mutual Income Foundation retirement plan as it would have operated during a 15 year period ending Oct. 31, 1954. For purposes of this comparison, it is assumed that the two retirement plans have equal assets at age 65. However, as we have just indicated, Mutual Income Foundation will probably have accumulated a much larger amount than "fixed-income" savings plans by age 65 due to the higher yield and the trend of equity prices. During the retirement period, the "fixed" life annuity would have paid out $22,669 to the annuitant whereas the Mutual Income plan would have paid $25,195, or total income payments $2,525 greater in the case of the combined equity and "fixed" dollar retirement plan of Mutual Income Foundation.

The Higher Returns from Equity Investments

Of course, it is impossible to predict that the future performance of Mutual Income Foundation will be as good as during these past periods: but the charts indicate that over a long period of years, equity investments in general have yielded higher returns and have provided more adequate purchasing power of savings than "fixed-dollar" investments. Since 1914, life insurance assets have yielded a net return of 4.08% whereas common stocks have produced 5.18%. In recent years, the yield on stocks has been almost double that of insurance companies. Furthermore, during this century, common stocks have appreciated 3.3% each year **on the average.** This is considerably more than the rise in consumer prices.

We think that there could be any number of plans to meet the problem of the declining dollar. The TIAA-CREF plan for college teachers has been well received. The Variable Annuity Corporation is attempting to secure legislation which will permit it to bring the benefits of this type of equity annuity to broader groups of people. Perhaps your own life companies will come up with other plans which are better still.

A Step to Meet Changing Needs of Policyholders

The point is, we at Farm Bureau Life feel that we have taken a real step forward in meeting the changing needs of our policyholders. You may ask: Very well, granted that equities are a needed part of a savings program, why should the insurance industry be the one to sell them? Why not let brokers do the brokerage business, and insurance companies sell insurance?

The answer is that no equity program is safe without a commensurate insurance program. In an era of rising and falling prices, insurance and variable-dollar savings are two sides of the same coin. Equities are inflation insurance.

Life underwriters are a unique group. They are the only men in the country whose whole training has been estate planning. Stock brokers market securities: insurance men market security. They have been trained to plan the savings, the retirement, the life insurance of families. They understand family needs at all ages —when the man of the house has small children to protect, when his children are in college and he must educate them, when he and his wife are 65 and ready to retire, when he dies, and his widow must be taken care of.

I do not believe there is any group in the world better trained for this kind of planning than are our life underwriters. That is why I believe that some form of combined savings, equities with fixed income, and both protected by life insurance, is going to be the next big development in the life insurance industry.

The industry has always shown itself to be adaptable, to be forward-looking. Its enormous influence is proof that it has known how to meet America's changing needs.

I do now know whether the Farm Bureau Insurance plan is the right answer. Time alone will show how good it is. But I do believe there is a need here, and that the life insurance industry, in its own way, will meet it. It is natural to be cautious, to be skeptical, to weigh the risks: we have been doing that for a century. And also, we have been advancing for a century to meet the needs of the American people. I have every confidence that we shall always move forward to meet them. The historian, Arnold Toynbee has seen all history as challenge and response: the challenge to be overcome, the response, to overcome it. The decline in the dollar is today's great challenge to the life insurance industry. How we meet that challange, will determine in large measure whether we shall stand still or move ahead in the years to come.

I, for one, do not doubt for a moment that we shall rise to this challenge as we have risen to every other, and that we shall look back on this period as the great opportunity that it really is to provide increasing security in a world of insecurity, innovation and change.

F. Wm. Harder Director

F. William Harder has been elected a Director of American Bosch Arma Corporation. Mr. Harder, who is associated with Allen & Company, investment bankers, of 30 Broad Street, New York City, also is a Director, Chairman of the finance committee and a member of the executive committee of Foremost Dairies, Inc.; Director and Chairman of the executive committee of W. A. Case & Son Manufacturing Company, Buffalo, N. Y.; and a Director and Chairman of the executive committee of ACF-Brill Motors Company, Pittsburgh, Pa.

F. Wm. Harder

Charles E. Crawley

Charles E. Crawley passed away Nov. 25 at the age of 70. Mr. Crawley in the past was an officer of Sinclair Consolidated Oil Corporation and was a partner in Merrill Lynch, Pierce, Fenner & Beane.

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Let Us Not Confuse Mutual Funds With Life Insurance

til he had first insured his life in an amount sufficient to keep his family from want in case of his untimely death.

Admitting that life insurance and mutual funds are not competitive, it may now be asked whether it is not possible to combine the two in such a way as to reap the benefits of both without harm to either.

It is to bring this about that some mutual funds have devised the scheme of offering their shares for sale on the instalment plan in combination with life insurance. Certain insurance companies have issued automatic group life insurance providing that in the case of the death of the person agreeing to buy the mutual fund shares prior to the completion of the purchase, the death benefits sufficient to complete the instalment purchase, will be payable to the mutual fund. In essence, the investor has entered into an agreement with the mutual fund under which he has agreed to invest a certain sum payable in periodic instalments over a designated period of time to purchase the shares of the fund. The amount of insurance is intended to cover the unpaid portion of the investor's contract. Each instalment payment is applied to purchase shares at the market prices prevailing when the payment is made. The insurance provides that if the purchaser dies the proceeds of the insurance will be paid to the mutual fund, which in turn uses the funds to purchase the shares to complete the contract at the then current market price, and such shares are then delivered to the estate of the purchaser.

The Danger to Be Guarded Against

All I wish to say about this attempt to make the sale of mutual fund shares more attractive is that if a man's insurance program is already completed, and his circumstances justify him embarking upon an investment program, no harm will be done by insuring his life for an amount sufficient to pay the unpaid instalments of his commitment. The point to be guarded against is that a purchaser of insured mutual fund shares must not be led to think that he is buying something which is a satisfactory substitute for an insurance program. Here it should be said to the credit of the mutual funds who are selling the insured plans, that they frankly point this out to their salesmen and caution them not to disturb the prospective purchaser's outstanding insurance program.

But this danger still remains very real if the sale of life insurance and mutual funds in one package should ever become popular. In the first place, such sales cannot avoid putting an undue emphasis upon the alleged merits and attractiveness of annual renewal term insurance. I do not have the time to discuss the pros and cons of this type of insurance, but experienced life underwriters know that its merits tend to be more apparent than real. As with a great deal of term insurance, its defects have a way of showing up with advancing years when it is too late to do anything about them.

Again it has been alleged, as I have already mentioned that the purchase of mutual fund shares, for instance on a 10-year instalment plan, when covered by decreasing term insurance, is in essence similar to the purchase of a 10-year endowment policy. The only exception being that the cash value of the investment part of the policy is composed of the mutual fund shares instead of the usual type of life insurance investments. This comparison is based on specious reasoning and in almost all respects it seems to me not valid.

The Difficulties Involved

In the first place, no one knows what this mutual fund will be worth at the end of 10 years. The sum cannot be stated as a fixed amount like it is in an endowment policy. It will all depend upon the value of the shares at the end of the 10 years. If at that time the country happens to be in a boom, the results will no doubt be quite satisfactory. Should business be in a depression on the other hand the results are even more certain to be unsatisfactory.

Again no one can tell in advance just what the insurance part of this agreement is going to cost. While the premium may begin at $1 per month per $1,000 of insurance, the company issuing the insurance reserves the right to increase or decrease the premium. As evidence of insurability is usually not required for persons under 55 years of age when the amount of insurance is not over $10,000, there would seem to be the possibility of impaired risks getting cheap insurance through the purchase of these shares. I do not desire to stress this point too much, but it must be admitted that the possibility of adverse selection is present and the future cost of the insurance uncertain.

What is of even more importance, these insurance plans when added to the mutual fund do not, and probably cannot, be made to contain the usual policy benefits found in conventional life insurance policies. Premium waiver benefits in case of disability are omitted. By the very nature of the contract there can be no cash value that the policyholder can borrow in case of need, even if the need is so imperative as to keep the insurance in force.

And now finally I come to my biggest objection to combining into one package the sale of life insurance with mutual trust fund shares. It seems clear to me that a different type of sales presentation must be used in selling mutual fund shares from that required in selling life insurance. In fact, I can hardly imagine two sales talks which must be more dissimilar in nature and content if they are to be successful.

In life insurance we are dealing in certainties. Our contracts contain specific provisions a b o u t definite amounts of money which we promised to fulfill irrespective of what business conditions may prevail. The experience of the past shows that we can successfully meet our contracts, come good or bad times, in panics or depressions, in war or in peace. The record has been so phenomenal that it caused one of the most radical New Dealers to exclaim at the conclusion of the T.N.E.C. investigation "The record of insurance companies has been almost too good to be true."

Now what must the salesman say who wants to sell mutual fund shares remembering that their fund is entirely invested in common stocks? No doubt he will point out that we live in a growing country and that the companies in which his fund has made its investments will grow faster than the country as a whole. He probably will also state dividends on the stocks held in his fund will materially exceed the rates obtainable from the same amount of money invested in fixed income securities. But to strengthen his argument I think it inevitable that he will turn the prospective purchaser's attention to the dangers of future inflation. He will point out that today we have a 50-cent dollar and no doubt leave the impression that some time in the not-too-distant future a 25-cent dollar is liable to be with us. The inference will be that the policyholder will receive little of value on a goodly portion of the premiums which he pays for his insurance and that it cannot protect him against inflationary loss. On the other hand it will be asserted that his mutual fund shares will probably do a pretty good job at it.

You will notice that the picture that the mutual fund salesman will likely draw of life insurance is certainly one-sided and far from the whole story. Primarily interested in selling investments, he will tend to overlook insurance's most distinguishing and valuable characteristic—its protective features which are so imperatively needed in our society all the time, irrespective of any and all business conditions.

The Conclusion

This leads me to the conclusion that life insurance and mutual funds should not be sold in the same package. They should each be sold on their own merits and to serve their own purposes. As stated before, they are not competitive. They are not designed to render the same services. The risks inherent in stock market speculation are not avoided, although perhaps they may be minimized through the purchase of mutual fund shares. I can distinctly recall in the late '20s that many of the arguments now being presented for the purchase of mutual fund shares were then put forward as to why investment trust shares should be purchased. When the stock market decline came in the 30's, I do not believe the owners of investment trust shares fared much better than did the owners of the shares of our individual industrial corporations.

Over the years the public has come to realize that the dangers of speculation have almost been entirely eliminated in life insurance. Does it not behoove us to be on our guard lest the public unwittingly be led to think that the danger of price fluctuation, inevitable in the purchase of common stocks, be removed merely because the transaction has some connection with life insurance.

I want to make it perfectly clear that I hold no brief against the mutual funds. They have a proper place in our institutional investment set-up. When well-managed, and I have no reason to think that they are not well-managed, they deserve the investor's confidence when the investor can afford to assume the risks inherent in the purchase of common stocks. I wish to repeat again, however, what I have previously stated, that until the average man has set up an adequate life insurance program, he cannot afford to assume the risk inherent in equity investments, whether acquired in the form of mutual fund shares or in any other form.

Even if we were certain, which we are not, that inflation would continue to be with us in the future, this would be just as true.

Without denying that the inflation resulting from the World War caused loss to some beneficiaries of life insurance, it is easy to exaggerate the extent of this loss. The critics of life insurance are altogether too prone to overlook the fact that current life insurance protection is paid for in dollars of current value. What all of us would like to do is to pay our bills in 50 cents dollars and receive our benefits in the old-fashioned 100 cent dollar. This desirable state of affairs I'm afraid cannot be brought about even by the purchase of mutual fund shares.

No Speculations in Insurance

All of us who were in the life insurance business in the New Era days of the twenties can distinctly remember how life insurance salesmen were turned aside with the remark that the prospect could use his money more advantageously in the stock market. We know what were the results to these people in the thirties. I do not desire to say that the situation today is similar to what existed in the late twenties. However, history teaches me that there are fads in investments similar in kind to fads in everything else.

One of the functions of life insurance salesmen is to resist these fads. He knows they usually go too far and that they tend to break down of their own excesses. So influential is mass psychology that the general public is almost always wrong in investment matters. They come in a bull market too late to reap its benefits, and in a bear market when they should be buying equities they have no faith in the country's future growth. Witness what took place in the twenties and in the thirties.

Today with all the popular talk about the certainly of continued inflation and the growing general popular belief that business depressions are a thing of the past, life insurance salesmen can render no greater service to their clients than to encourage them to review carefully their family obligations, and to point out how almost always they carry inadequate life insurance to guarantee their family the standard of living which they should like to give them. Let us not help to popularize the sale of mutual fund shares to people whose basic needs call for more life insurance.

Summary of Objections

In conclusion, my objections to life insurance companies selling mutual fund shares in combination with decreasing term insurance may be summarized as follows:

(1) It will make it difficult to train agents. In fact, it will destroy their effectiveness as salesmen of conventional life insurance. I cannot imagine how it would be possible to train the same field force to sell successfully both mutual fund shares and conventional life insurance.

(2) The popularization of the mutual funds by life insurance salesmen will tend to undermine the public's faith in the ultimate value of insurance and destroy to a large extent the effectiveness of the sales appeal of conventional insurance policies. It seems to me that the management of a life insurance company could not avoid, when training salesmen to sell mutual funds, to stress the possibility or even the probability of serious inflation. While even the probability of inflation ought not to be a valid argument against the purchase of life insurance, unfortunately our experience has been that whenever there has been a widespread fear of inflation, it seems to have been more difficult to sell life insurance, even when there is little investment element in it such as ordinary life.

(3) The popularity of mutual funds will vary directly with the movement of stock prices. Stock prices in the past have always come down as well as gone up. If this continues to occur in the future, will not declines tend to create unrest and dissatisfaction among our policyholders, the great majority of whom are not too familiar with financial conditions.

(4) The popularization of mutual funds by the major life insurance companies would tend to have a bad social and political effect, inasmuch as it would seem to be an admission of the inevitability of inflation. Students have always known that in a democracy there are groups continually agitating for legislation that will make for inflation. The preservation of prosperity and a stable monetary system depends upon such groups being resisted. Life insurance has been a mighty force in the past working toward this end. I do not believe it should give up the struggle now.

(5) It seems to me that the wise policy for the institution of life insurance to pursue today, as it always has in the past, is to use all its prestige and strength to resist the forces making for inflation and not to throw in the sponge and admit its inevitability in the hope of being able to protect its clients through some such device as coupling insurance with mutual funds.

Two With Semple, Jacobs

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Bertram V. Jones and Louis D. Steele have become associated with Semple Jacobs & Co., Inc., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges. Mr. Jones was formerly with Dempsey-Tegeler & Co. and Edward D. Jones & Co. Mr. Steele was with Friedman, Brokaw & Co.

Railroad Securities

Southern Railway

Although traffic is still running behind year-earlier levels, railroad stocks, particularly those of investment quality, continue to sail along into new high grounds. One of the most impressive performances has been that of Southern Railway common which, in the low 70s last week, showed an advance of more than 80% from the low established earlier in the year. At recent levels the stock has risen to a point where it affords a yield of somewhat less than 5% on the 1954 distribution ($2.50 regular and $1.00 extra) and in many quarters it is felt that the management will not likely be more liberal next year than this. Nevertheless, most analysts feel that the stock still has excellent long term potentialities.

The road's operating and earnings record during the current year affords particularly strong evidence of the extent of the basic improvement that has taken place in recent years as a result of the vast sums that have been spent on the property and on new equipment. The road has been fully dieselized for some time and following that program the road has been a leader in the modernization and mechanization of yards. All of this work is now bearing fruit, as evidenced by the strict control exercised over transportation costs in this period of lower traffic volumes. For the 10 months through October there was a decline of 11.6% in gross revenues but the transportation ratio increased less than 2 points, to 32.3%. In October alone, with revenues off nearly 10%, the transportation ratio was a half point lower than in October 1953.

Another fact that has impressed investors is the obvious confidence that the management has in the status of, and prospects for, the road and its territory, as mirrored in the continuation of maintenance work on the property. With less utilization of the rolling stock and motive power there was naturally a cutback in expenditures for maintenance of equipment. Accruals for maintenance of way for the 10 months through October were $26,391,000 compared with $30,767,000 for the like 1953 interval. However, the 1953 figures included equalization of $1,257,000 compared with only $249,000 in this account in the current year so that actual expenditures on the upkeep of the properties were practically the same as they had been last year.

Federal income taxes were also naturally considerably lower in the 1954 period and for the 10 months net operating income amounted to $26,666,000, a drop of $7,384,000 (less than 30% of the revenue decline) from the first 10 months of 1953. The decline in net operating income was the equivalent of $2.84 a share of common stock outstanding. Net operating income for October alone was nominally higher than in October 1953 and it seems likely that wider year-to-year improvement will be witnessed in the final two months. Thus, it is now estimated that for the year as a whole earnings may come to above $9 a share compared with $11.63 earned last year, and they could match the $9.57 realized in 1952.

Aside from the impressive operating performance and expectations that next year's earnings could well rebound to a new record peak, analysts point to the favorable long term traffic implications of the growth characteristics of the service area. With a good labor supply, accessibility of raw materials (a situation further bolstered by the recent opening up of high grade iron ore areas in Venezuela), favorable climatic conditions, and adequate water, it is felt that this industrial growth is practically certain to continue. As a final consideration, investors are looking forward to a considerable improvement in the debt structure in 1956 when the non-callable Development & General Mortgage and East Tennessee & Virginia & Georgia bonds, outstanding at somewhat less than $64 million the end of last year, mature.

Continued from page 9

Tax Laws as a Cause of Mergers And Trustee Problems

To force action may adversely effect the sales price. Therefore, we would recommend that very broad provisions of both management and sale be incorporated in the will. The fiduciary should be free to devote its time making the best sale possible without the worry of meeting a time table.

(3) If the business were not a personal service or speculative type, but large enough to support one or more echelons of successor management, we would then inquire whether men of management caliber were available in the organization and how much management responsibility had been passed on to them. Many businessmen refuse to acknowledge lack of competent successors. With Tongue in cheek they sometimes represent sumh management exists. when in fact it does not. In those situations we must make the best of things as we find them. We discuss the need for competent management succession with the greatest candor. We frankly tell the testator that if he has not provided competent successor management at his death, he surely cannot expect us to do so. Here again, we would ask for broad general powers. If it is a sole proprietorship, we would ask that the will give authority to continue the business so we could use our Michigan statute which allows a fiduciary to continue such business under a specified procedure without liability to the fiduciary or the remaining trust estate. If it were a partnership, we would ask that a continuation provision be included in the partnership agreement as a prerequisite to availing ourselves of this same statute. We would also ask that the will contain authority to incorporate the business venture. We believe the grant of power to the fiduciary to incorporate is good law even though incorporation involves a grant of discretion to others, namely directors.

Where Fiduciary Discretion Powers Are Needed

Broad powers should give the fiduciary discretion to do the following:

(1) For an unlimited time to continue the business or to hold stock in a corporation and to vote such stock at the annual meeting for directors of the fiduciary's choice. A review of the cases leads us to the conclusion that good law limits the power of the fiduciary to the power specifically granted to him, and, if the fiduciary exceeds his authority, he acts at his peril. I know many of you are thinking of "stop loss' provisions. Provisions giving specific directions on action to be taken if losses occur. If losses occur an advantageous sale may be difficult enough without imposing the additional burden of immediate sale. Then again, losses may be caused by strikes or price wars and may not be due to the unsoundness of the business. If Mr. Businessman can't trust his fiduciary to know what to do in event of loss, surely he should not appoint it.

(2) To sell, merge or consolidate, reorganize or liquidate or dissolve the business entity at any time, or to vote for sale, merger, reorganization, liquidation or dissolution. Also, if the enterprise is merged with another, both need not be in the same or similar business.

(3) To change the character of the business, for example: To provide for diversification and to take advantage of technological advances.

(4) To sell for cash, for other property, or for stock (either common or preferred) of another corporation. The fiduciary may also take purchase money obligations as part of the purchase price. If Mr. Businessman does not have confidence in his fiduciary to discriminate between a good and poor credit risk, he should not appoint it.

(5) To borrow money as a business entity as need for such funds may arise, and to mortgage or pledge as security assets of the business entity. Some might advocate granting authority to lend estate funds to the business enterprise. In only a few situations would such conduct be justifiable. I would not recommend a grant of power to put other estate cash into an estate business enterprise. In my opinion, the business must be capable of generating its own cash through earnings or loans. If it can't, sell as quickly as possible.

(6) To hire either with or without contract corporate executives. To employ accountants. To delegate authority to such manager or managers of its selection as the fiduciary may deem necessary.

(7) The board of directors of the corporation to be the sole judges of the dividends to be paid, and the beneficiaries must look to the dividends for income. We have held the majority of the stock of a corporation in trust for over 20 years. Surplus has increased many times. but no more than was thought necessary to conduct a sound business. We want to sell stock held in trust or dissolve company to take advantage of tax savings under new tax law. One life tenant says no, sell assets, operate company as personal holding corporation so earned surplus will be available for dividends.

(8) To grant authority to fiduciary to charge the business entity for services rendered such entity.

(9) Some might advocate granting immunity from liability to fiduciaries and directors for all acts taken in good faith. If this provision were specific, such as right to rely on recommendation and opinions of counsel or certified accountants, I would go along. But personally, I would not recommend a provision going beyond this.

In far too many cases courts ignore the corporate entity, especially where the estate has complete or substantial control. A study of the cases involving business under the control of fiduciaries indicates a wide divergence of opinion on almost every issue. The most interesting cases never reach the higher courts.

Some Problems Facing Trustees

These would be my recommendations. A sane man who has an estate can do anything he wants with it, even the foolish and ridiculous. I have long since ceased to be heart-broken if testators refuse to follow my advice. This being the case, you can ask—Suppose the testator insists on the following provisions, would you refuse to act?

(A) Will you accept "co-executors and co-trustees," and who will you accept?

(1) Wife: Strange as it may seem we would not counsel against it too strenuously. Often a better job can be done by the fiduciary by sharing with her the responsibility of the operation of the business rather than to offer her as a sounding board for the dissatisfactions of disgruntled employees, or the intrigue of the ambitious conniver.

(2) One or more children: We would question the merit of such appointment, especially if the child is, or children are, employed in the business. Personal ambitions sometimes make exercise of judgment on business and personnel matters impossible. We would try to investigate relationships carefully before qualifying, and we might refuse to act.

(3) Attorney: No objection.

(4) Chief executive of business: Can such person act without a division of interest as to disqualify him? The difficulty of impartial salary determination alone would in most instances serve to disqualify him. In such cases there is a tendency on the part of the executive to ignore his co-fiduciary on even the most important policy matters. We might refuse to act.

(5) Another substantial stockholder: Can a person with such divided loyalties serve as executor and trustee? A suit involving this principle was begun in Michigan some time ago. The probate court and lower law court decided against the stockholder trustee. The co-trustee was a stockholder when will was executed. After appeal to the Supreme Court but before case was heard. he resigned. I, personally, guess the weight of authority will ultimately hold that such a person is disqualified to act as a fiduciary.

(B) How many co-executors and co-trustees?

There may be good reason for two, but when more than that are named, you usually wind up with a Mexican army. One of two things happens, neither intended, (a) every action and decision is duly delayed, or (b) one emerges the dominant personality, does the work and makes the decisions.

(C) Time limitations within which business must be sold.

I would argue vigorously against such a paragraph. Would any court in the country remove a fiduciary for failure to meet a testator's time schedule on a showing of diligent effort? What good can such a provision accomplish? It can only serve as an irritant, and heaven only knows there are enough without creating them.

(D) In event of sale, the right of first refusal is granted to members of family or executive staff or employees.

If for any reason all of this group refuse or are unable to buy the business, the sales price is automatically reduced. In the mind of the hard headed buyer there must be a skeleton in the closet.

(E) Grant of right to match bids received in 30-day period.

This is a devilish provision. Anyone who has ever tried to effect a sale to a buyer who used this clause to his benefit will agree that it is a sure way to reduce an estate to a fraction of its real worth.

(F) Direction as to employment of President or General Manager.

I would vigorously oppose such a direction, and if the testator insisted on such a clause, I would reserve the right to resign as fiduciary. Is such a direction enforceable against a fiduciary? If an executor is not bound to follow a testator's direction as to the employment of a lawyer because of the liability he assumes as executor, why should he be forced to hire a president or general manager for whose action he probably assumes a much greater liability? Employment should be based on merit alone; under such a provision this ceases to be the criterion.

Let us go on to the very interesting question—what is a trustee's responsibility to report the activity of a closely held corporation in its accounting to the court?

In my opinion, the account should report in full detail the following:

(a) A certified corporate balance sheet.

(b) A certified profit and loss statement.

(c) Application of funds statement.

(d) List of officers and their compensation, particularly the compensation of a representative of the fiduciary.

(e) Short narrative statement of the progress of the company during the period of the accounting.

New York is probably the only jurisdiction which would require such an accounting. However, I would go so far voluntarily, because it seems to me that only by going to this extent is the account final and *res judicata*.

I concede that the minority stockholder or the majority stockholder may complain because the affairs of the company are getting publicity which was never intended.

The Question of Minority Interests

This discussion has assumed the testator has controlling interest in the corporation. Now. what provision should be made with respect to minority interest?

First, I would persistently urge a minority stockholder in a closely held corporation to arrange a buy and sell agreement during his lifetime. Affections and respect among business associates may be such as to enable them to work out a fair plan of purchase and sale while living. Such affections and respect seldom extend to members of their families. If a buy and sell agreement can't be worked out. then the powers granted in the will to the fiduciary should be as broad and as general as possible. If the controlling stockholder or the controlling group decide to give an estate minority stockholder a rough time, a fiduciary can't do much about it. In such situations the fiduciary:

(a) Should not scare easily.

(b) Should not hesitate to search for and take advantage of any corporate irregularity.

(c) Should be persistent and imaginative in its search for a solution.

It should be remembered that modification of section 102 of the old revenue act has not made the way of the minority stockholders easier.

Now, you probably want to know how our institution operates when we act as fiduciary in an estate holding business interests.

To understand my remarks you should know something about our company and its business and the community in which we operate.

We only do a trust business. We have no banking department, and are not affiliated with any bank.

We are an old institution, having been in business for 55 years.

Year in and year out we have about 35 to 40 businesses in our estates in which we either have

control or working control. We sell out or distribute each year about as many as come in. Our oldest trust, which controls two businesses, came in in 1933 and the next oldest came in during 1939.

We have no predetermined, fixed formula under which we operate these trust assets. We believe it is impossible to work out a hard and fast formula. Likewise, we do not have a predetermined time table under which the various steps are to be taken. We believe a time table is unworkable. Insofar as there is a pattern of operation, it is roughly this: First, the trust officer advises the division I head of the estate's interest in the business along with other pertinent information. In fact, we hope the trust officer has done a good job in getting all pertinent information. We review the will with the trust officer and determine the powers of the executors and the trustees. If we are named as administrator, we ask the probate court immediately for authority to continue a sole proprietorship business. Wherever we can do so, we use our statute relating to continuance of sole proprietorship, business or partnerships.

We determine the cash requirements of the estate as quickly and accurately as possible. We ask the trust officer to secure financial statements of the business enterprise which will be necessary for estate appraisal purposes. We merely get them earlier than we normally would. We then analyze this information. Then we ask the trust officer to arrange a meeting with the heirs at which we may be present to discuss their attitude with respect to the business. In this interview we are seekers of information. We are anxious to know what the family's attitude is toward the conduct of the business, if some of the family are in the management, we seek frank expressions from the various members toward the management, whether they think the business should or should not be continued.

If the corporate trustee is asked to assume responsibility, or feels that it must assume responsibility in the matter, we then arrange an interview with the management on the premises. At this time we make an inspection of the business premises. This is not a casual inspection, but a thorough one, sometimes embarrassing to management. We spend most of our time with the chief executive officer, a little time with the treasurer, production manager and sales manager or merchandise manager. We leave no doubt whatsoever in the mind of the chief executive that we are looking to him for the management and direction of the business. We also interview the certified public accountants making the annual audits of the business, to make sure adequate internal control over cash, inventories and accounts receivable exist. In the event there are no certified public accountants, and in a surprisingly large number of smaller firms this happens to be the case, we ourselves make an examination of the books, records and procedures to make sure that reasonably adequate internal controls exist. At the same time we make sure the insurance program is adequate, costs are being analyzed, sales, programs, sales personnel and sales costs are being evaluated.

Situations Requiring Sale

Product acceptance and service standards are being investigated, inventories are analyzed. We have asked for a copy of the company's by-laws to ascertain how special stockholders' meetings may be called. If we found ourselves in a situation where directors should be removed, we want to know how it could be done, we want to know when the corporate charter expires. When we talk about the company, we have spared no effort to know what we are talking about. To do otherwise is to irretrievably lose character. If, as a result of the above, it is quite obvious that the executors should get out of the business, at the earliest possible moment, we ask the trust officer to arrange another meeting. We make a thorough report and try to sell our conclusions. If we have sold well, we quietly set in motion the steps which we consider necessary to make a sale. If we can't sell the idea at first we come back again and again and somehow we have always gotten our point across in time. Some of the obvious situations requiring early sale which, in our experience, have existed are: (1) A wholly incompetent management. We do not attempt to find a completely new management of a business. The risks are just too great. If there are no employees of management caliber on the staff we sell. We take a dim view of being able to find competent management who would accept the job knowing an estate is in control and the business may be sold at any time. (2) A quarreling management. (3) A lack of cash. (4) A company whose end product must be completely redesigned to meet competition. (5) A company whose machinery and equipment is so old that it can no longer compete effectively.

We do dress up the business for sale, not to gyp the buyer, but to get the best price possible. Usually one of the first things to do is to have a good and adequate house-cleaning. Some poor housekeepers may operate a business well and efficiently, but poor business managers are almost universally poor housekeepers. If it is a merchandising business, we try to put on a clearance sale of over-age merchandise, we feel we can realize more for the estate this way and still have a more attractive store to sell. If it is a metal working plant, we try to balance inventory, we sell out unused, obsolete machines and inventory and clean up good machines. We stimulate sales as much as possible with the sales organization which we have at hand.

If the business is one which we believe should be held, we report this conclusion to the administrative officer of the estate. We have a meeting with the estate beneficiaries at which we offer our help and assistance. In most instances we are invited to serve on the board of directors. We do not necessarily accept. If the estate is adequately represented on the board by competent persons each making a real contribution to the company's success, we decline to go on the board. We have consistently declined to go on the board of directors of banks in the smaller outstate communities. The reason is that these banks are examined periodically by governmental authorities and discretionary authority is quite restricted by law. We do request the bank examiners' reports be made available to us. Bank directorships are looked upon as a position of honor in most communities, and we feel it is far more important to the bank and the estate that this position should be passed on to a local community leader rather than to be taken by someone in our organization. If we are not invited and believe we should go on the board, we ask to have representation. We have never found it necessary to load the board with our own representatives, but if we should we would not hesitate to do so.

Don't misunderstand our position with respect to directorates. Our experience has been that the average board of directors leaves much to be desired. In our opinion, there is room for the so-called professional director in the American management scene. If there were competent professional directors we would use their services. We also question the management loaded board of directors. Too often management looks on its board as a necessary nuisance rather than a source of help, sound advice and counsel. If we go on a board of directors, we insist on annual meetings as occasion may require, and that minutes of meetings be kept in detail. We refuse to be dummy directors. In fact, we believe we have something to offer. If management can't be prevailed upon to go along on this basis, we change managers or sell the company quickly.

We do not accept an official position. The reasons for this are obvious: (1) If we decide to sell, it isn't worthwhile. (2) If we decide to hold, we are most interested in a good management, and one way to get it is to give authority and expect results.

Making Recommendations to Management

Whatever position we take with respect to the operation of the business, we do not throw our weight around. We make no recommendations to management until we are sure that they are sound and should be adopted. We make them as suggestions, try to sell the idea rather than issue directives. We do not change certified public accountants if they are competent; we do not change insurance agents, if they are competent; if changes are necessary, we sell the idea. We do not hire personnel; we do not tolerate stool pigeons. We do everything possible to establish and maintain the *esprit de corps* of everyone in management—this is most important. Merchants and manufacturers alike hold bankers and lawyers in low esteem as to their capabilities in the operation of their business. We are not crusaders to change their opinions. All we want is a successful operation, and don't care whether we win this popularity contest in getting it.

It has been our experience that competitors do not speak kindly of a business, the control of which is in the hands of a fiduciary. We find there is rumor upon rumor that the business is for sale, or that the business is going to be liquidated, or that one of the heirs is going to come in to take over. At this point it is most important that management's thinking is right. In order to maintain *esprit de corps*, we insist that everything be taken up through channels and define these channels as clearly as possible to eliminate misunderstanding. Where management is competent we try, when possible, to give them assurance that they can have the first chance to purchase the business if the business is ultimately sold. We go out of our way to help management work out a purchase plan which will be satisfactory to the executors and to the trustees. Wherever possible, we effect promotions among the present employees. Wherever wage adjustments are justified, we try to effect these adjustments at once. Although it is not a universal practice with us, we have installed incentive plans for management and in all cases we have found them remarkably effective.

If it is decided to sell the business, we hunt buyers with a rifle and not a shotgun. Because it is known that we have businesses for sale, many buyers are referred to us. Experience teaches you where to go to find prospects. When we get a prospect, we qualify him thoroughly before we give him any information. (It is surprising how many prospective buyers one can find who just don't have the money to make a respectable down payment). Does he want to buy this type of business, what has been his experience, does he have the money necessary, or does he have an angel who has, and if so, who is the angel. If all this checks out, we have a basis to proceed. If not, we drop our alleged prospect then and there.

The Dangers of "Peddling" a Business

It has been our experience that once it becomes generally known that a business is for sale, the business is in trouble with its competitors, with its suppliers with its personnel and with its customers. If you want to knock down the price of a business, just start peddling it. If you ever want grief, try to operate a business after it has been peddled unsuccessfully.

I know many of you are wondering about liabilities assumed and what steps we take to limit our liability:

First: Regular stockholders meetings even if we are sole stockholders, at which President gives full report of operations.

Second: Regular directors meetings with full minutes.

Third: Free expression at board meetings with no rule that all decisions must be unanimous. If anyone wishes to register a negative vote, he is free to do so.

Fourth: Yearly audits by CPA's which includes a verbal report on adequacy of internal procedures.

From the foregoing comments I would not want to have you believe that we have all the answers to the retention or disposal of business in estates (or that we are so conceited to think we have them). In fact, we learn every day as we go along, and expect to continue to learn until our day of retirement arrives. We believe that the retention of a business in an estate is strictly a matter of the application of common ordinary horse sense. If common ordinary horse sense is applied to any given situation, we believe that the trustee's actions are defensible, and the risks are not substantially greater than those assumed by an executor or trustee in the management of an estate which has a variety of assets. We also believe that such risks as do exist can definitely be minimized by assigning the responsibility for businesses assets to one or more specialists who, over a period of time, will develop a degree of experience out of the multiplicity of situations which will be helpful in the expeditious administration of the estate, the reduction of operating costs, and will avoid pitfalls which a less experienced administrator would not recognize, or recognizing them would not know how to handle.

Nation Moving Toward New Frontiers

December issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, cites population changes and industrial progress as optimistic factors, but finds possible obstacles to continued growth.

In an editorial article, entitled "Toward New Frontiers," the December issue of "The Guaranty Survey," monthly publication of The Guaranty Trust Company of New York, observes that it seems generally agreed by public and private agencies that over the next decade or more the American economy is likely to experience unusual growth and development.

"Fairly typical of these optimistic reports" the "Guaranty Survey" comments "is the one published by the staff of the Joint Committee on the Economic Report. It indicates that by 1965 the population of the United States will have increased by about one-fifth, output per man-hour by nearly 40%, Gross National Product by 50%, and personal income per capita, after taxes, by almost one-third.

"A growing population may be moving either toward or away from an optimum relationship between human and material resources at the existing stage of technological development," commented the bank publication. "As far as the level of material welfare is concerned, the real promise lies in technological development itself.

"Only gradually are the people becoming aware of the full meaning of their achievements in industrial technology. The millions of dollars' worth of materials and effort that science and industry have devoted to research and plant expansion are bearing rich fruit. It is often said that man's command over nature, his ability to supply himself with material necessities and comforts, has increased more during the last 150 years than during the whole previous span of human life. Some of the promises now held forth by those in the vanguard of industrial research would seem to indicate that even the phenomenal progress of the last century and a half may be overshadowed by that which is now in sight.

"Expectations like these are a far cry from the gloomy predictions made during the 1930's, when people were told that there were no 'new frontiers,' that the economy had become 'mature,' and that a condition of 'secular stagnation' had set in. It is both easy and hazardous for men to lose their sense of perspective, especially at times of unusual difficulty, when they are most in need of it."

The article, however, issues a word of caution, stating: "The need to manage our affairs wisely will be multiplied by the new burdens that economic growth will place upon public officials and agencies. Additional schools, roads and other necessary public services will increase the financial pressure upon already hard-pressed governments, Federal State and local. A similar dilemma will sooner or later confront the Federal Government in the field of Social Security. There will be demands for subsidies to depressed areas that are left behind in the march of progress. There will be demands for 'pump priming' during intervals of declining business activity. There will be unceasing demands for tax relief to those in the lower brackets, based upon the delusion that the more successful and prosperous can be made to bear governmental costs on the scale that exists today and will exist in the future.

"As long as these uncertainties remain, rosy predictions of the economic future will be viewed with some skepticism," "The Guaranty Survey" concludes. "The economic frontier is still open, but whether the economy remains free enough to move toward it with the speed and vigor of past years remains to be seen. If progress fails to equal expectations, if signs of 'secular stagnation' appear in the years ahead, the trouble will not be due to the vanishing of the economic frontier. It will be man-made. And it can be swept away by restoring the freedom and the incentives that enabled Americans to create the greatest economic power that the world has seen."

Chicago Analysts to Hear

CHICAGO, Ill.—Alfred E. Perlman, President of the New York Central Railroad Company, will address the luncheon meeting of the Investment Analysts Society of Chicago, to be held Dec. 9 at 12:15 p.m. in the Georgian Room, Carson Pirie Scott & Co. He will speak on "Recent Developments in the New York Central."

Public Utility Securities

By OWEN ELY

Transcontinental Gas Pipe Line Corporation

Transcontinental Gas Pipe Line was the first entirely new pipe line system constructed after World War II, and was designed to bring natural gas into the New York and metropolitan areas. New York City failed to obtain gas in the 1920's despite the fact that gas was piped to Nyack, a few miles up the Hudson, but it was inevitable that the job would be done sooner or later.

Tom P. Walker, President of Transcontinental, in a recent talk before the New York Society of Security Analysts, said: "Six years ago our frontier was the construction of what at the time was the world's longest 30-inch pipe line. The line was to thread its way through all sorts of country from the prolific gas reserves on the Gulf Coast area to the most densely populated area of our nation. Four years ago our challenge was placing this mighty system in action and making its myriad components function together as a team. One year ago we were finding means of providing winter storage service to those of our customers whose present operations make such service practical and even essential. Tomorrow and in the years to come we shall be seeking means to adequately serve our markets as our utility customers convert to straight natural gas and the promising space heating load grows. We now work and plan in a new atmosphere of competition with other fuels. . . . Transcontinental has maintained a high delivery factor, maximum efficiency and gas reserves adequate to assure the enlargement of future markets. The distribution companies in the New York-New Jersey and Philadelphia area are now assured of the safety and security of service by the interconnections of three major pipe lines, which give sufficient assurance for the companies to proceed rapidly with the development of their natural gas markets. . . .

"With the settlement of our two recent rate cases we have, with the exception of one disputed item, complete agreement with respect to the rate of return and other rate factors essential for healthy progress. With these basic things established and with the favorable renegotiations of some gas purchase contracts, the company is now in a position to offer to its customers not only an adequate source of gas supply, but at favorable competitive rates. Its credit has been established sufficiently to assure the financing of any needed expansion of its system. Transco's common stock is now securely on a $1.40 annual basis. Plans are now well along for approval of the necessary certificates of public convenience and necessity to deliver by Nov. 1, 1955, 37 million cubic feet per day of additional gas in the New York-Northern New Jersey market and 82 million cubic per day of additional gas in the Philadelphia and Piedmont areas."

The entire Philadelphia-New Jersey-New York metropolitan area has about 2,840,000 service connections receiving mixed gas and 1,935,000 burning straight natural gas. Five companies in the area distribute mixed gas and six straight natural gas. Three of the five utilities sell gas of 525-550 BTU's, another sells 700 BTU gas and the fifth 801 BTU.

House-heating furnishes the biggest potential market for natural gas: Mr. Walker cites the success of Philadelphia Gas Works and Brooklyn Union Gas in expanding their business. Philadelphia before the war had only about a 4% saturation, with 530 BTU gas; now with 700 BTU they have a saturation of 30%, having added 15,000 house heating customers last year. About one-third of the new customers represent new homes, and two-thirds reflect conversion of coal or oil to gas. Brooklyn Union Gas has also been very energetic in promoting house-heating, with twice as many installations in 1953 (the first full years of natural gas sendout) as in 1951 or 1952. While only about 20% of the one and two-family houses in the area are now being gas heated, Brooklyn Union expects to double the percentage in the next four or five years.

Mr. Walker estimates that three-quarters of a million house-heating customers will be connected in the company's eastern market area within the next three years. Over the next few years he estimates that space-heating growth and conversion of mixed gas distribution systems will require an annual increase of 100 million cubic feet per day. While Texas Eastern and Tennessee also serve portions of the eastern market, Transcontinental feels that there is sufficient future market for all three companies. Opportunities for expansion in the south are also very great, since much of the area has not yet been developed intensively.

Regarding the future supply of natural gas, there is little question as to its availability in the Gulf Coast area. It has been estimated that the future U. S. supply may exceed 500 trillion cubic feet, of which at least 10% would come from the Tidelands. However, the speed with which these gas reserves are developed may depend somewhat on the regulatory atmosphere — which at present is quite confused by FPC order 174A, freezing field prices.

Transcontinental's construction program and repayment of bank borrowings will require about $85 million financing in 1955. While definite plans have not yet crystallized, the debt ratio (now 69%) is expected to remain around 70%.

For the 12 months ended Sept. 30 the company earned $2.06 or 43 cents more than in the previous period. (This includes eight cents a share which may have to be refunded to customers, but does not include 13 cents a share refunded by the State of Texas when the gathering tax was invalidated.) Some increase in earnings is predicted for next year, and about $2.40 is forecast by Mr. Walker for 1956. The present dividend rate of $1.40 represents about 79% of earnings. At the recent price around 25¾ the stock yields nearly 5½%.

Rochester Clarke Is Added to Cranmer Co.

(Special to THE FINANCIAL CHRONICLE)

LAKE CHARLES, La.—Rochester Clarke has become associated with Cranmer & Co. of Denver. Mr. Clarke was formerly in business in Lake Charles as an individual dealer and prior thereto was with Merrill Lynch, E. A. Pierce & Cassatt in charge of the Lake Charles office.

With Green, Erb

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Paul R. McCormick has become affiliated with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Continued from page 7

Monetary and Credit Policy in 1955

us briefly examine each of these in turn:

(1) **Short-term business demand.** The demand for this type of credit ought to be somewhat larger next year for two interrelated reasons. First, the level of business activity generally will be higher, with an accompanying demand for credit to take care of larger working capital requirements generally. Second, the inventory liquidation stage of the current (or recent) recession ought to be pretty well behind us. We could, in fact, see a resumption next year of some inventory accumulation, at least to the extent of the roughly $2 to $2.5 billion per year required for the long-run growth of the economy. Since additions to inventory must usually be carried on credit, such an inventory turnabout should be associated in 1955 with a more or less corresponding rise in the demand for bank credit. If so, companies whose needs for credit have been relatively low this year (importantly those in the heavy goods lines) should be showing up at the desks of the lending officers more frequently in 1955.

(2) **Consumer credit.** The volume of consumer credit, which declined more than seasonally during the early part of this year, ought to increase further in 1955. This increase would be reflecting a higher level of business activity generally and a larger volume of outlays on those durable goods which particularly give rise to consumer instalment borrowing. This should in turn increase the demand for credit accommodation on the part of the sales finance companies.

(3) **Mortage demand.** Since no serious letup in the demand for new homes seems to be in sight, the demand for mortgage money ought also to continue at about present levels. Indeed it seems to be a settled and quite bipartisan objective of public policy to see to it that a high level of residential construction does continue.

A continuation of current residential construction levels, in fact, will probably be accompanied by an increased demand for mortgage money as those with progressively less indigenous financial ability are brought into the market. Therefore, the demand for mortgage money ought to be at least as strong in 1955 as this year, and possibly somewhat stronger.

(4) **Business demand for long-term money.** This demand for money may possibly be somewhat less in 1955 than in 1954. Capital outlays seem destined to be somewhat lower for important lines of industry. Moreover, funds internally available representing depreciation charges are growing rapidly, a growth which is bound to continue in the future. By 1957, according to a "Business Week" estimate, depreciation charges will be running almost one-third above current levels.[1]

The minus elements in the picture should not, of course, be exaggerated. In general, industrial lines which will show the sharpest cutbacks in capital expenditures have not in any case been heavy borrowers. Manufacturing firms, as Table II shows, have accounted for somewhat more than a quarter of all new corporate securities offered thus far in 1954. Public utilities, whose capital outlay programs will be better maintained in 1955, have been among the important borrowers. So far this year they have accounted for over half of all new corporate securities offered. The companies, in short, who will maintain their capital expenditure programs are also the ones accounting for the bulk of long-term financing.

Nevertheless, it seems clear that corporate demand for long-term money will be no greater than in 1954, and will probably be somewhat less.

(5) **Public demand for credit.** Public demand for credit in 1955 should exceed 1954. State and municipal demand for funds, in line with the trend of the last several years, should continue to rise. There seems to be no immediate end to the pressing needs for those projects which require borrowing — highways, toll roads, schools, and urban facilities generally. Moreover in relationship either to their tax receipts or to national income generally state and local indebtedness is quite low (see Table III). And the privileged tax sanctuary status accorded to these obligations merely augments their ready marketability. Clearly this combination of needed projects plus further substantial debt elasticity should make 1955 a record year for the flotation of these municipal obligations. In his paper on the fiscal situation Professor Musgrave estimates that the Federal Government's cash deficit will be about $0.8 billion, which compares with an estimated cash surplus of $0.2 billion for calendar 1954.

Where then do we come out in this rather detailed appraisal of the supply and demand forces which will be operating in the money and capital markets next year? The best guess seems to be that the supply of new money will be about the same as in 1954, though this will be a somewhat smaller proportion of national income. On balance the total private and public demands for accommodation should be up slightly over 1954. This would suggest a moderate further stiffening of rates upward, with again the major response to these market forces being concentrated in the short-term end of the rate curve.

How all of this works out, however, depends not only on market forces as such but also on the nature of probable Federal Reserve and Treasury actions in the monetary and credit policy field.

Monetary and Credit Policy

(1) **Treasury policy.** The Treasury comes into the picture for two important reasons. First, it will be faced with a cash deficit, with most of this concentrated in the latter part of the calendar year. Professor Musgrave has estimated the 1955 calendar year's cash deficit at $0.8 billion.

Second, the Treasury faces substantial refunding operations. Apart from the roughly $40 billion of U. S. Treasury bills and certificates of indebtedness outstanding, $12.8 billion of notes and bonds mature in 1955 and $2.6 billion of bonds maturing in 1960 become callable.

What kind of securities will the Treasury offer to cover its requirements for new money and for refunding? That, of course, is the policy question of concern to us here.

During the postwar period most maturing securities have been refunded into short-term issues, with the result that a larger and larger proportion of the debt has piled up at the short-term end. At the end of the war securities maturing or callable within one year accounted for just over one-third of the marketable debt. By the end of 1952, when the present Treasury officials took over, exactly half of the marketable debt was in this very short maturity range.

It can hardly be claimed that present Treasury officials are unaware of this problem. They were scarcely more than in office when the famous 3¼'s of 78-83 were launched—a bit unsteadily, to be sure, in the turbulent early 1933 market congestion. Whether this $1.6 billion issue made any major contribution to the market congestion of early 1953 is debatable, but it must have been a sobering experience. Since that time, of course, the weak business situation has made any Treasury competition for long-term funds seem inappropriate. This experience does highlight a major dilemma of debt management policy. There is never a good time to issue long-term government securities.

In a vigorous boom it is difficult for the market to absorb any significant quantity. In a recession competition with private demand

TABLE II

New Corporate Securities Offered for Cash

(Dollar Amounts in Millions)

Industry	Amount 1951	% Total 1951	Amount 1952	% Total 1952	Amount 1953	% Total 1953	Amount 1954*	% Total 1954*
Manufacturing	$2,969	43.3	$4,039	42.4	$2,254	25.3	$1,491	28.0
Public Utilities	3,348	48.8	4,366	45.7	4,505	50.8	2,994	56.0
All other	549	8.0	1,129	11.9	2,139	24.0	859	6.0
Total	6,866	100.0	9,534	100.0	8,898	100.0	5,344	100.0

Source: SEC Statistical Bulletin, September 1954, p. 3.

*First seven months.

TABLE III

State and Local Public Debt in Relation to Receipts and National Income

(Dollar Amounts in Billions)

Year	Debt	State and Local Receipts	National Income	Debt as per cent of Receipts	Debt as per cent of National Inc.
1929	$13.2	$7.6	$87.8	173.5%	15.1%
1940	16.5	10.0	81.6	165.0	20.2
1946	13.6	13.2	179.6	103.0	7.3
1950	20.7	21.5	240.0	96.4	8.6
1953	28.6	27.0 p	305.0	106.0	9.4

Source: U. S. Department of Commerce.

p Preliminary.

TABLE IV

Maturity Distribution of the Federal Debt

(Marketable Issues; Dollar Amounts in Billions)

Maturing or Callable Within	Dec. 31, 1945 Amount	Dec. 31, 1945 % Total	Dec. 31, 1952 Amount	Dec. 31, 1952 % Total	June 30, 1954 Amount	June 30, 1954 % Total
One year	$70.4	35.4	$74.3	50.0	$63.2	42.1
1-5 years	19.5	9.8	30.2	20.3	41.9	27.9
5-10 years	46.0	23.2	17.6	11.8	23.6	15.7
10-20 years	20.5	10.3	26.6	17.9	19.9	13.2
Over 20 years	42.5	21.4	---	---	1.6	1.1
Total	$198.8	100.0	$148.7	100.0	$150.2	100.0

Source: Federal Reserve Bulletin.

1 *Business Week*, Oct. 9, 1954, p. 43.

for long-term money should be avoided.

In a recession long-terms shouldn't be issued; in a boom they can't be. Yet if they are not issued, the sheer passage of time piles the debt up at the short-term end. Since early 1953, therefore, funding operations have been confined entirely to new securities in the intermediate range, as the data in Table IV indicate.

Mr. Burgess presumably had all this in mind when he recently declared that an issue of long-term bonds would have to await a "neutral" economic situation. Just what a "neutral" situation would be was not made clear in the newspaper report. It would be a good guess, however, that some time within the next year a new long-term issue would be offered. If "neutral" means anything, it must mean a condition where business conditions are improving but where congested capital markets associated with a boom have not yet emerged. This seems to me to be a pretty good description of 1955.

My own view happens to be that the need for funding the debt can easily be exaggerated. Businesses generally have no great excess of liquidity. Corporate holdings of cash plus marketables now average 11.3% of sales, almost exactly the 1940 figure. And personal holdings of cash plus government securities in 1953 were 59% of personal income, compared with 60% for 1940. Clearly liquid assets generally are not out of line with the size of the economy. Consequently, there does not seem to be any pressing need for extending the maturity distribution of the debt unless an overly active economic situation should require it. And 1955 hardly looks like a year which would require it.

It is understandable that we do not yet have even as much agreement on what debt management policy ought to do for us as we do about fiscal policy. Unlike fiscal policy, which has been at the focus of thinking for two decades, debt management policy has received really serious attention only since about 1950.

What we seem to be moving to is this. Debt management operations can in a boom preempt funds which would otherwise be privately borrowed and spent, thereby withdrawing money from the stream of spending. And a debt operation which might be inconsequential relative to a $275 billion debt may withdraw enough funds to exercise real restraint. (Thus I would regard the issue of 3¼'s in April 1953 a success, even if the maturity center of gravity of the debt was little changed.) Debt management can, therefore, be complementary to tax policy (whose job is to withdraw funds from the spending stream in a boom) and credit policy (whose task is to limit the creation of new money).

Moreover, it seems clear to me that these operations in reverse can contribute to moderating a downswing in business activity. But that point has already been touched on earlier in this paper.

We thus arrive, it seems to me, at these conclusions. The maturity of the debt is not so out of balance toward the short end now as to threaten the economy with excess liquidity (though it was a few years ago). Next year looks like the kind of "neutral" situation which Mr. Burgess indicated to be appropriate for a new long-term issue. Such an issue should try to do little more than arrest the further shortening of the debt's maturity distribution arising out of the passage of time, unless business conditions strengthen more rapidly than now seems probable.

A continuation of their policy of funding into intermediate maturities does suggest itself as a useful compromise. This does lessen the problem of the debt's piling up at the short end. Intermediate issues, however, would not preempt funds which otherwise might go to private borrowers. Over 80% of the 2½% bond of November 1961 issued last February, for example, is now held by the commercial banking system. With appropriate Federal Reserve policy, more of these securities would not exert a deflationary effect and would at the same time contribute to a better maturity distribution.

(2) **Federal Reserve policy.** Discussions about Federal Reserve policy have taken a curious turn. After its servility to the Treasury during much of the postwar period, the Fed has reasserted itself and seems to have gained a belief that monetary and credit policy have something to do with the real world.

In its Sept. 23, 1953, directive to the executive committee, the Federal Open Market Committee stated that open market policy should be one of "active ease."[2] This policy has, of course, continued through 1954. The money supply has continued to expand according "To the needs of a growing economy."[3] Reserve requirements were progressively reduced. Excess reserves throughout the year have averaged about $800 million, and net free reserves have been only slightly less as discounts fell to nominal levels.

The good results of this have been little short of startling and not, I think, entirely accidental.

The real controversy has rather centered around how monetary policy ought to be conducted—a controversy (to use Mr. Sproul's apt phrase) which seems not to have been of much interest except to the "central bank theologian."[4] The issue is whether open market operations should be confined entirely to short-term securities or only almost entirely. This is really a fundamental question. Mr. Sproul is correct that it should receive more attention. It could well be the subject of a completely separate discussion, but a few comments on the matter may be useful here.

The prevailing view now is that these operations should be confined "to transactions in very short-term securities, preferably bills."[5] Moreover, the old exception to this of maintaining an *orderly* securities market has been altered to the concept of correcting a *disorderly* market condition, which is more than a distinction without a difference.

The reasons for this rather rigid view about the proper type of open market operations are clear. The Federal Reserve had found in the postwar period that a self-reliant, broad-based market was not apt to emerge when the continuing question was: Where will the Fed come into the market next? The problem becomes one of second-guessing the Fed, rather than gauging the strength of market forces.

Moreover, the effects of the mid-1953 credit-policy turnabout were promptly transmitted to longer-term issues. Both short and long rates began to fall promptly, suggesting no great lag in transmitting through the market the effect of a change in Fed policy to the capital markets even without direct open market purchases in long-term securities.

Mr. Sproul, the New York Federal Reserve Bank's distinguished and able President, has no enthusiasm for this Procrustian view of open market operations. He feels there are occasions when transactions in other than short-term securities may be wise. By relieving market pressures where they are most severe, the total amount of open market transactions may be lessened. During such periods as large Treasury debt operations, when there is considerable shifting about in the market, the Federal Reserve can perform a useful facilitating role. There is little to be gained in letting the market flounder around unassisted at these times when operations are quite large relative to the funds immediately available. At least there is little to be gained by public statements which in advance preclude the Federal Reserve from intervening.[6]

This is not a new view for Mr. Sproul. He has long held that while the large public debt may circumscribe the Fed's actions, it also extends the range of influence of Federal Reserve policy. This it does by enabling the Fed directly, through transactions in long-term securities, to influence the capital markets. It is, therefore, not difficult to see why Mr. Sproul remains unimpressed with this "new look" in open market policy. How much difference is there between these points of view? Clearly both sides agree that the Federal Reserve ought to intervene in a disorderly, demoralized market. Both would presumably agree that continuous tinkering operations by the Federal Open Market Committee would produce an anemic, dependent market. Both apparently agree that "normally" operations should be at the short end of the maturity spectrum.

It will be interesting to see how this theological argument develops next year. Since, however, it looks like a "neutral" economic situation, we can probably expect that open market operations will continue to be largely in very short-term securities, with every attempt to leave the bond market on its own.

Apart from this "theological" question about how open market operations should be conducted, the character of needed over-all Federal Reserve policy seems quite clear. Improving but not inflationary business conditions would clearly call for a continued easy policy with any firming up of rates arising out of market forces and not deliberate Federal Reserve action. We can, in short, expect Federal Reserve policy generally to metamorphose from "active ease" to "ease."

Summary

It may be useful now to summarize these observations about the monetary and credit outlook for 1955.

(1) Events in recent months clearly demonstrate that monetary and credit policy do make a difference in business conditions, even on the downswing.

(2) There seems to be no large change in the flow of savings in prospect for 1955.

(3) The private demand for funds ought to be somewhat greater than in 1954, with most of the increase being for short-term credit.

(4) Public demand for funds should be somewhat larger next year than in 1954. Next year ought to be a good time for some new long-term Treasury financing, as well as continued periodic intermediate issues. The need for such refunding is not urgent now, however, since there is no surplus liquidity generally.

(5) Federal Reserve policy should continue to be "easy" to facilitate the expansion in business conditions.

2 Annual Report of the Board of Governors of the Federal Reserve System, 1953, p. 97.
3 Federal Reserve Bulletin, July 1953, p. 695.
4 Sproul, Allan, "The Central Banks and the Money Market," Commercial and Financial Chronicle, May 13, 1954, p. 30.
5 Annual Report of the Board of Governors of the Federal Reserve System, 1953, p. 89.
6 Ibid, p. 95-6.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Bank operating earnings for 1954 should compare favorably with previous years and in particular instances, establish new records. These are the indications obtained from operating results for the first nine months of the year and from published statements and estimates by responsible banking officials.

The most recent report to suport this favorable point of view was that of the Bank of Manhattan Company. In accordance with the provisions of the Bank's charter, the annual meeting is held the first week in December. It has been the custom of the Bank of Manhattan in recent years to present current information about the company and its operations at that time.

Thus in the last several years the Bank has published an estimate of operating results for the year based upon earnings realized for the first nine months and the indicated results in the last quarter.

Last week the Bank sent a report to stockholders estimating that net operating earnings for the current year would amount to $7,950,000 equal to $2.89 a common share as against the $7,426,000 reported for 1953 equal to $2.70 a share. This would be a gain for the year of approximately 7.0%.

In the tabulation below we show the statement of operating results according to the estimates of the Bank of Manhattan for the year 1954 as compared with the reported results for the previous year.

	Estim. 1954	1953	Change
Earnings—			
Loan interest	$23,850,000	$23,387,000	+ 2.0%
Security divs. and interest	10,100,000	6,962,000	+45.0
Commissions and fees	4,700,000	4,022,000	+16.9
Other earnings	500,000	605,000	—17.4
	39,150,000	34,976,000	+11.9
Expenses—			
Salaries and wages	11,550,000	10,918,000	+ 5.8
Employee benefits	900,000	890,000	+ 1.1
Taxes (other than income)	950,000	924,000	+ 2.8
Interest paid	3,200,000	1,813,000	+76.5
Other expenses	5,800,000	5,207,000	+11.4
	$22,400,000	$19,752,000	+13.4%
*Net operating Earnings	$16,750,000	$15,224,000	+10.0%
Provision for Income Taxes	8,800,000	7,798,000	+12.8
Net Operating Earnings	$7,950,000	$7,426,000	+ 7.1%
Earned Per Share	$2.89	$2.70	+ 7.0%

*Before income taxes.

The above figures are exclusive of security profits which are not reported through the earnings statement. According to the Bank, however, a readjustment of its government bond portfolio resulted in profits for the first ten months of this year of $5,666,000 all of which was transferred to reserves for such securities. A year ago, Bank of Manhattan reported net losses on sales of U. S. Government obligations for the first ten months of $3,063,000. These changes show the impact of the fluctuation in interest rates on the Bank's security transactions.

So far as the earnings statement is concerned, it reflects the trends in evidence over the past year. While loan volume has been well maintained, the easing in rates has prevented interest income from showing any large gain. The main source of the gain in gross earnings has been from interest and dividends on security holdings. This reflects adjustments in government security holdings as well as a larger volume of investments.

The principal offset to the gain in gross earnings was the increase in expenses. Modest increases were recorded in salaries and wages but the largest gain was in interest paid. Even with these increases, however, earnings before taxes were higher by 10%. Larger taxes offset this to some extent. Nevertheless, final net operating earnings gained by 7%.

A month from now the other large banks will be issuing their statements. Based upon such indications as the foregoing and the dividend actions being taken by many banks, we would expect operating results for 1954 to be generally favorable.

Small Investors Advisory

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Samuel Kulin and Abraham C. Presser have formed Small Investors Advisory Services with offices at 215 West Seventh Street to engage in a securities business.

New Viner Branch

MIDDLETOWN, N. J.—Edward A. Viner & Co. has opened a branch office on Red Hill Road under the direction of Edward A. Viner.

Continued from page 6

A Comprehensive View Of the New Tax Code

it. The ruling would not have been binding on the Treasury Department in any event. But with the ruling in hand the taxpayer would have been willing to make the sale. Without it, he would not go ahead. The possibility of an extra half million dollars in taxes would have been too much to face.

If by any chance you say, "Good, I'm glad he did not make the sale and did not get the ruling," you have to remember that the government lost $225,000 of tax revenues which it otherwise would have received. This is a very cogent point to keep in mind. It is one thing to pass tax laws which close loopholes and make for equities between rich and poor, but when the tax laws stifle economic transactions, incentive and industry, it eats away at the heart and future prosperity of our country.

Section 306 Stock—Preferred Stock Bailouts

What I have said concerning "windfall" profits, brings to mind the new tax on so-called "Sec. 306 stock." The law concerning Section 306 stock was passed to counteract the decision in the Chamberlain case. That decision was to the effect that where a corporation made a pro rata distribution of a preferred stock dividend on common stock, and the common stockholders immediately turned around and sold off the preferred stock, any gain they had was capital gain and not ordinary income. This was so, said the Court, even though the corporation had a large earned surplus, the preferred stock had a sinking fund provision to insure its retirement in about five years, and the preferred stock had been set up specifically to avoid income taxes, to reduce corporate surplus and to permit the taxpayers to receive profits at long-term capital gain rates instead of as ordinary income. This became known as the preferred stock bailout.

Section 306 in substance now says that stock received as a non-taxable preferred stock dividend gives rise to ordinary income when sold at a gain, if the dividend would have constituted income in the event it had been paid in cash instead of stock. Capital gains tax no longer applies to this situation. If the corporation is liquidated, or the stock redeemed, then the appropriate provisions of the law applicable to liquidations and redemptions apply. The preferred stock dividend is non-taxable when received, but at such time as the taxpayer sells the stock, the gain becomes taxable as ordinary income to the extent that the corporation had earned surplus at the time the dividend was declared.

Reserve for Estimated Expenses

One of the sections of the New Code which is receiving most attention before the end of this year deals with the immediate deduction of estimates of reasonable cost and expense which the taxpayer will have in future years, arising out of this and prior years' income. Taxpayers on an accrual basis can elect to adopt this reserve method in its current tax year which commenced since Dec. 31, 1953. No consent from the Commissioner of Internal Revenue is necessary. Later such consent will be necessary. Thus, taxpayers can set up a reserve now for expenses they might not have for a long period of years.

For example, a roofer who guarantees his roof for 15 years, whose experience shows that over the 15 years he has to spend 5% of his sales receipts on repairs to the roof. Reserves for estimated expense would apply to such items as cash discounts allowed customers for prompt payment, repairs or replacements made under guarantees, sales returns, sales returns and discounts, vacation pay, self insured liability and damage claims, quantity discounts, and many others.

The amount of tax deduction to be obtained the first year under the reserve method amounts to a double deduction. Many taxpayers do not realize this. Taxpayers are offered an opportunity which is seldom presented to them.

When the matter of setting up a reserve was being considered by a client of my office, the accountant said: "Well, you are only moving up to an earlier year deductions you would take later on." The answer is not that simple. First of all, the first year that the reserve method is set up, the taxpayer not alone obtains a deduction for reserves for future years, but also a deduction for the expenses it has incurred in the current year based on prior years' income. Thus the taxpayer is receiving a double deduction in one tax year; in other words, the deduction it would normally take this year plus the reserve it sets up for future years. Then too, the taxpayer should not have to treat as income now, or pay a tax now, on income when experience demonstrates that part of the income is not income, but really a reserve for an expense. The taxpayer should have the use of the working capital which otherwise would be paid to the government for tax money.

Claim of Right Theory

All too often taxpayers have been plagued with the necessity of paying a tax on income that wasn't income at all. This arises under the so-called "claim of right" theory. A taxpayer receives money. In the ordinary course of events it is of a nature which he would have to report as income. He reports it and pays the income tax on it. A few years later something occurs which necessitates his repaying the money. For example, someone has brought a suit claiming that he should return the money because he committed a fraud. Or, the contract under which the payment was made was void and the payment never should have been made. Or, the payment really constituted trust funds. Or, some such reason.

In other words, when the taxpayer received the money he believed that it belonged to him, but as events turn out, he has to make a repayment. Well, it may be that he was in a high tax bracket when he reported the money. When he makes the refund he may be in a low tax bracket or he may have no income at all. Thus it may be that he will receive no tax benefit from the repayment, or the tax refund he receives may be less than the tax he has paid. This is a very inequitable situation. Congress in the new Code has rectified this. It has no provided that in this situation if the amount of the money taxpayer has to repay exceeds $3,000, taxpayer has the right to elect to take the deduction in the current year, or readjust his income for the year in which he had reported the money, whichever gives him the best tax benefits.

Excessive Compensation

Related to this problem is the one in which the controlling stockholder of a closely held corporation receives a salary which the Commissioner of Internal Revenue subsequently determines to be excessive. In the ordinary case, the corporation loses the benefit of the deduction, and the stockholder officer has reported it and paid a tax on the excessive amount. In many instances, the combined corporate tax and individual tax exceeds 100% of the income. Perhaps, the best way to overcome this situation is to make an agreement between the corporation and the officer stockholder to the effect that it is intended only to pay him a reasonable salary; that to the extent that any amounts paid to him are excessive, they shall be deemed to be held in trust by him for the benefit of the corporation, and shall be refunded by him. Whether this agreement will stand up, of course, must be tested. I have used it in a number of situations. I think it will stand up.

Incidentally, before I leave the so-called "claim of rights" theory with respect to receipts which have to be refunded, I should point out that in the case of an accrual basis taxpayer, if the item was accrued but never received, the Section giving the taxpayer the benefit to make the election applies when the deduction accrues in the later year, although there is no actual repayment involved.

The Senate report indicates that this Section does not apply to bad debts, because, although a bad debt is uncollectible, the taxpayer does not lose his unrestricted right to the money. On the other hand, the Senate Committee has said that the Section applies to cases of transferee liability, such as the Arrowsmith Case, where the stockholder has to pay off a debt incurred by the corporation prior to its liquidation.

Accrual Basis-Completed Contract Method and Contingency Receipts

There has been a growing line of cases on the subject of so-called "contingency receipts." The question comes up, when must the item be reported. If a taxpayer defers reporting income until a later tax year, then he has so much more working capital in the form of the tax payment he would otherwise have paid out. A recent case crystallized the cases on this subject. Taxpayer in the construction business reported on the completed contract method. The job was for, let us say, $75,500. Immediately before the close of his tax year he thought he had completed the job and sent out his invoice. His customer paid him $75,000 and withheld $500, saying that he had to put a little hardware on the doors around the house. A couple of months later in the new tax year the contractor furnished the hardware, received his $500, when the customer accepted the job. He then reported the entire profit on the job in the later tax year. The Commissioner said, "No, you had substantially completed the job in the earlier year. You can't defer the reporting of the income to the next year." The Court did not agree with the Commissioner. The Court said, in substance, completed contract method of reporting takes effect when the job is fully and finally completed, not when it is substantially complete.

Related to this problem is the way in which a growing group of manufacturers and suppliers are doing business, one with the other. Manufacturer "A" who is fairly "well heeled" furnishes certain component parts to Assembler "B," who later sells the finished product on some long-term installment basis. Assembler "B" is also fairly "well heeled" so that the manufacturer has a certain amount of trust and confidence in the Assembler. The Assembler "B" agrees to pay Supplier Manufacturer "A" only as, if and when Assembler "B" collects from his customer. Result: Manufacturer "A" does not have to accrue any portion under the accrual method until the contingency occurs which makes the Assembler responsible to pay the Manufacturer, i.e., when the Assembler's customer pays the Assembler.

Now, add one more facet to this. Instead of the Assembler and the Manufacturer leaving the account between them open by way of open account, if the Assembler gives the Manufacturer a so-called registered certificate of indebtedness (contingent in form as to payment), and the Manufacturer sells this paper before payment accrues thereunder, I believe that you will find that it gives rise to capital gain instead of ordinary income.

There are a number of variations to this type of transaction.

Loss by Individual on Loans to Corporations or on Guaranty of Corporate Obligations

As most of you know, the Treasury Department and the Tax Court have been deadly to the individual taxpayer who endeavors to deduct as an ordinary loss a debt owing to him by his closely held corporation which has gone bad, or a loss which occurs when he has to make good on his personal guaranty of a corporate obligation. The courts scream out, "The corporation's business is not your business. It makes no difference how hard you work for the corporation, or that you are an officer, director, chief stockholder, employee, etc. You are not in the business of loaning money." The taxpayer inevitably loses.

Congress in the new tax law has not met this problem squarely. But it has gone half the way. There is a new provision in the new code which says if a non-corporate taxpayer is called upon to make good on any obligation as a guarantor, endorser or indemnitor of a noncorporate obligation the proceeds of which had been used in the trade or business of the borrower, the taxpayer can deduct the same as a business bad debt, if the borrower is worthless at the time the taxpayer is called upon to make payment. It must be remembered that this section applies to the guaranteeing of loans to noncorporate taxpayers and the fact that the borrower must have borrowed the money for business purposes, and must be worthless when the taxpayer is called upon to make good on his guaranty.

In other words, if your son, son-in-law, nephew or close friend comes around and says that he would like to borrow $10,000 to go into business, do not loan it to him personally. Tell him to go down to the bank and borrow it from the bank. Endorse his note for him. If necessary, take the $10,000 and buy triple A corporate bonds or government bonds and post them as security for the loan. This will start the transaction off correctly. But don't loan him the money directly. Let the bank do it.

Although Congress has not made this provision for the benefit of a noncorporate taxpayer who guarantees a corporate obligation, I call your attention to the Pollak case decided in the Court of Appeals for the Third District at the beginning of this year. The Pollak case held to the effect that the making good on a loss occurring under a guaranty is not the same as a bad debt. All the taxpayer has to do is to show that the guarantee was made in a transaction entered into for profit. Just what constitutes a transaction entered into for profit depends on all the facts and circumstances. Right now I am awaiting a decision by the Court of Appeals for the Third Circuit on a case where the taxpayer loaned bonds to his closed corporation so the corporation could use the bonds at the bank as security for a loan. The corporation agreed to pay taxpayer a sum equal to 3% of the face amount of the bonds for the use of the bonds. The corporation went bad. Taxpayer never got his bonds back. **Query:** The court is to decide if this is a transaction entered into for profit.

Tax Free Splitting of Corporations

The other day, I saw a newspaper article about a man who went to the office of the corporation in which he was a partner and after a heated argument with his co-partner over the business affairs of the corporation, murdered the partner, and then killed himself. It was obvious that these two owners of a very profitable chain of four dress stores, did not have to get so heated in their feelings over the business dealings. Certainly, if they had consulted a tax expert with reference to the provisions of the new Internal Revenue Code, they never would have come to such a sorry pass. They would not have had to continue in business together any longer. I am sure that the only reason they stayed so long together was that they were concerned about the capital gains taxes they would have had to pay if they liquidated their business and went their separate ways. That was the situation with which they were faced under the old Internal Revenue Code.

Under the new Code, they could have divided their business into two parts—one could have taken two stores and the other could have taken two stores, or they could have divided it into any combination with respect to the assets, and each gone their separate ways, without having had to pay capital gains tax on the distribution and division. There are a great many situations like this existent. At least we can say that one of the benefits that will some out of the new tax law is that partners who don't like one another can go their separate ways without mayhem and without having to worry about the tax consequence. This could not be done so readily tax free under the old law.

Partial Liquidations

Frankly, I have found the new Code somewhat confusing on the subject of corporate redemptions, partial liquidations, corporate reorganizations and the like. Since my confusion is not an individual matter, but rather seems to be almost universal with nearly all who have studied the new Code, I do not feel badly. One basis for confusion are the Sections which deal with redemptions of stock as distinguished with partial liquidations. While, perhaps, the ultimate effect of the two Sections for most transactions may be the same, it is necessary to consider how one wants to handle a transaction.

The Sections on partial liquidations are new. Prior law was complicated by the fact that stock redemptions were included within the terms of partial liquidation provisions. Under the new law, a redemption of all the stock of one of two sole stockholders may result in capital gain treatment to the redeemed stockholder. The question of what happens at the corporate level as distinguished from the stockholder level, determines the question of whether there is a partial liquidation of the business. If there is a genuine contraction of the corporate business, then there is a partial liquidation. If there is not a genuine contraction of the corporate business, then the distribution may be considered a redemption of stock in the corporation as distinguished from a partial liquidation.

The difference between these two classifications are significant when the stockholder who is leaving the business and the stock-

holder who is remaining are closely related, so that the stock ownership of one is attributable to the other. In the case of a stock redemption, the outgoing stockholder has a 10-year waiting period before he can again buy back or receive a gift of stock in the corporation, without opening up the question of whether the money he received from the corporation on the redemption of his stock should be treated as a dividend distribution. If the transaction is treated as a partial liquidation then the outgoing stockholder can buy back or receive a gift of stock in the corporation, at any time without, waiting for the 10-year period.

One example of a partial liquidation would occur if after a part of a fatcory were destroyed by fire, the corporation decided to distribute the insurance proceeds to its stockholder, because the corporation has decided to contract its business and not maintain its prior operations to the extent that they have been destroyed. I would also presume, that if a corporation conducted two businesses and decided to sell one and distribute the proceeds, that such a transaction would qualify. The Code specifically says that if the corporation is engaged in two or more businesses which have been carried on by it for at least five years, it may distribute the assets of either one in kind, or the proceeds of sale.

On the other hand, suppose a corporation with two stockholders, father and son, have a corporation which owns a large parcel of property worth $100,000. It also has a $100,000 cash reserve which it has built up over the years. These are the only assets. There are no liabilities. The cash has never been used in the business. If the corporation buys up the father's stock, this in my opinion would be a corporate redemption of stock and not a partial liquidation. There has not been a contraction of the business of the corporation. Hence, if later the father decided to buy back into the business, there may be some complications taxwise.

Redemption of Corporate Stock

In a recent ruling by the Treasury Department, it held that, where the majority stockholder and officer of a corporation sold his stock to the corporation for a fixed amount, and resigned from his position, but was nevertheless retained as a consultant employee of the corporation to train key employees and, as such consultant employee, he was to continue to receive his present salary plus expenses, the redemption of his stock by the corporation was a distribution in partial liquidation, to the extent that the distribution did not exceed the fair market value of the stock redeemed. Gain or loss, the Treasury Department said, would be recognized to the stockholder, measured by the difference between the consideration received and the cost or other basis of the stock sold, to the extent that the consideration received is not greater than the fair market value of the stock being sold. No gain or loss is recognized to the corporation as a consequence of the redemption of the stock of its majority stockholder.

The tenor of the ruling seemingly leaves open the question, however, whether the Treasury Department would contend that, if the majority stockholder upon the redemption of his stock received a distribution which exceeded the fair market value of the stock being sold, such additional distribution might be considered ordinary income, in a case where the corporation has substantial accumulated earnings. As far as it went, the ruling is very much in line with the provisions of the 1954 Internal Revenue Code, although the ruling was under the 1939 Code.

Liquidations Which Amount to a Reorganization

Another very interesting decision which was recently handed down by the United States Tax Court concerned the question of whether a distribution by a corportaion was a distribution in liquidation, as distinguished from a distribution under a plan of reorganization amounting to a distribution of earnings. In this case, the majority stockholders of the corporation, which had substantial earnings, liquidated the corporation because the minority stockholder wanted to sell his interest. A new corporation was formed to which the operating assets of the old corporation were transferred. The old corporation then called in the stock of the minority stockholders. The old corporation then distributed the rest of its assets to the taxpayers in final liquidation.

The Commissioner of Internal Revenue contended that the transactions constituted in substance a reorganization under the old Section 112(g) with resultant gain taxable as ordinary income under Section 112(c). Taxpayers claimed there was a complete liquidation of the old corporation under Section 115(c), and that the resultant gains were capital gains. The Tax Court held that the liquidating distribution was part of an unwritten plan of reorganization. Under the plan the taxpayers received the distributed assets as "boot" within the meaning of the old Section 112(c). This, in substance, amounted to a distribution taxable as ordinary income.

Accumulated Surplus Tax

A rose by any other name is still a rose, and even though the new Code puts the tax on reasonably accumulated earnings under Section 531, *et seq*, I am sure that as long as most of us live, we will still call it the 102 tax.

As a general proposition, the courts have not been too hard on the taxpayer in applying the tax on unreasonable accumulation of earnings, but then perhaps it has been the fear of the possible imposition of the tax that has made many taxpayers toe the mark. Permission under new law to allow a taxpayer to accumulate at least $60,000 in any year over the opening accumulated surplus for that year eases the burden considerably.

The law does contain a provision which permits the taxpayer to shift the burden of proof from the taxpayer to the government. This is done by the taxpayer submitting a statement within a certain period of time to the government after the government raises the issue before sending out Notice of Deficiency. In his statement the taxpayer must specify the various grounds as to why it claims what it did was reasonable, and why the tax should not apply. Taxpayer also must set forth facts to support the grounds.

It seems to me that until there has been a sufficient passage of time, and a sufficient number of adjudications under the new law as to how this new provision works in respect to the shifting of the burden of proof, many taxpayers are going to be wary of its use. First of all, the moment that you set forth your statement, the various grounds and facts upon which you rely, you are furnishing the government with a bill of particulars which, in effect, limits you as to any arguments you may present in the future. True, one should be prepared at the time of submitting the statement to set forth full and complete grounds and facts, but woe to the one who overlooks a factor or who uses injudicious language or has been too hasty.

As most of us know, when you are in a tax case, the government moves very slowly, and perhaps it is best for the taxpayer to move very slowly. I wonder if by the use of any such statement the taxpayer upon the trial of a case will have to submit any less quantity of proof than it would otherwise. I wonder if the nature of the proof presented by both sides would be any different. Of course, if the government has the burden, then the government may have to put its witnesses on the stand first. The government need only make out a *prima facie* case. The chances are that the government will not be able to rely upon the presumption of the correctness of the Commissioner's determination. The Senate Committee places great weight on who has the burden of proof. If the government has to present proof first, it will probably have to call as its witnesses employees of the taxpayer.

Transferee Liability and Life Insurance Proceeds

The new Internal Revenue Code with respect to the subject of transferee liability is for the most part, in substance, the same as under the prior Code. The law itself does not basically define what constitutes a liability, or how the liability is to be determined. There has always been a question as to the extent the beneficiary under an insurance policy on the life of a deceased taxpayer might be liable for a transferee liability. A recent case decided by the United States Court of Appeals for the Second Circuit somewhat clarifies this situation. The decision was to the effect that the transferee liability is to be determined by State law, and not by any uniform Federal law.

Under the New York State Insurance Law and Debtor and Creditor Law, beneficiaries of life insurance policies are not liable to the creditors of the decedent. Therefore, in a case where the decedent owed taxes to the Government and paid life insurance premiums, the Court held that nevertheless the beneficiary of the proceeds of insurance received the proceeds free from any claims on the part of the government, for taxes owing by the decedent. The reason for the Court's determination was that the proceeds of the life insurance policy were never owned by the decedent. They came from the insurance company. Further, the Court said that there was no sign of any fraud on the part of the decedent. This case by the Second Circuit is somewhat in conflict with decisions which have come down in the Third Circuit and in the District Court of Illinois. In this view, perhaps there might be an early review of the subject by the Supreme Court of the United States.

Valuation of Present Life Interest of Gift in Trust

Some very definite advances were made by Congress with respect to gift taxes. There will be a trend back to drafting and making gifts by means of trust, which to a great extent has died out in recent years. Under the old Code a gift of a future interest could not qualify for the so-called annual $3,000 per person exclusion. This would come to $6,000 per annum per person if a joint gift tax return were filed by husband and wife. As interpreted by the Courts, if a person were given a gift in trust, the present value of the life interest of the life beneficiary could be applied against the so-called $3,000 annual exclusions. However, if the trustee had the right to terminate the trust and give the life beneficiary the entire *corpus* outright at any time, it was held that the life interest could not be evaluated, because it was subject to being terminated at any time. This was so even though the life beneficiary himself would be the recipient of the trust *corpus*, and increased the value of his interest under the trust. The new Code changes all this and now provides that "where there has been a transfer to any person of a present interest in property, the possibility that such interest may be diminished by the exercise of a power shall be disregarded . . if no part of such interest will at any time pass to any other person."

Gifts in Trust to Minors

Another problem which existed under the Gift Tax Law regarding the so-called future interest rule was that it had become almost impossible to make a gift in trust to a minor child. Usually when a minor was involved it was desirable to accumulate the income during the minor's minority, or to have a guardian exercise power over the minor's life interest. Any accumulation of the income immediately made the life interest of the minor a gift of a future interest, and prevented the obtaining of the benefit of the $3,000 annual exclusion.

Congress has now changed this. The new Code says that no gift to a minor shall be deemed a gift of a future interest if the property and the income therefrom may be expended by or for the benefit of the minor during his minority, and to the extent that it is not so expended, (in other words accumulated) it will pass to the minor upon his reaching 21 years of age, or if the minor dies before the age of 21 years, then to his estate or as he may appoint under a general power of appointment. This new law now eliminates the requirement of current distribution of income from a trust to a minor.

Tenancy by Entirety—When a Gift

Somewhere along the line a vast number of couples who marry buy a home. And as is the custom, title is taken in the name of both the husband and the wife. Lawyers well know that this creates a so-called tenancy by the entirety which is peculiar to the marital relationship. What ever may have been the ancient reason in the creation of this relationship, the creation of the tenancy by the entirety meant that neither the husband nor the wife could give good title, or be put out of possession of the property, without the consent of the other, no matter who paid for the property. All you had to do was make sure the taxes and the mortgage were paid. But actually the creation of the tenancy by the entirety, as interpreted by the Treasury Department, created a taxable gift. In the ordinary case this gift was not sufficiently large for the payment of a tax, but in some instances where large properties and estates were involved, the amount could be important and sizable. This was particularly so when business properties were taken in both names.

Now, under the new Code, the creation of a tenancy by the entirety is not treated as a taxable gift. But a gift will occur on the termination of the tenancy by the entirety unless the property, or the proceeds from the sale of the property, are divided between the husband and the wife, in the same proportions as the original contributions to the purchase price. However, a husband and a wife can elect to have the creation of the tenancy by the entirety treated as a gift. In such case, all the laws applicable to gift taxes would apply.

Nonresident Aliens and Gifts

And one final word on the subject of gifts subject to tax. Nonresident aliens still continue to get a break. The gift tax does not apply to gifts by nonresident aliens of intangible property, provided he is not engaged in business in the United States during the year of the gift. That means stocks, bonds, notes and other intangibles owned by a nonresident alien not in business here can be given away by him tax free. Moreover, even if the nonresident alien is engaged in business here, gifts of corporate stock are taxed only if the company is incorporated in the United States. If it is a foreign corporation, then the gift tax would not apply.

Interstate Power Co. Preferred Stk. Offered

Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. and associates yesterday (Dec. 1) offered 200,000 shares of 4.36% preferred stock of Interstate Power Co. at $51.05 per share, plus accrued dividends from Dec. 1, 1954 to yield 4.27%.

Proceeds from the sale of the new preferred stock will be applied, to the extent necessary, to the redemption of 100,000 shares of 4.70% preferred stock now outstanding at $52.50 per share plus accrued and unpaid dividends, and to the prepayment, without premium, of $2,000,000 principal amount of promissory notes expressed to mature May 31, 1955. The balance will be added to the company's treasury funds and will be applied to extensions, additions and improvements to its properties and to other corporate purposes.

Redemption prices of the new stock will be the initial public offering price per share, plus $2.25 on or before Dec. 1, 1959; plus $1.75 on or before Dec. 1, 1964; and plus $1.25 thereafter plus unpaid cumulative dividends to redemption date.

Interstate Power Co. is primarily an operating public utility company. It is also a registered public utility holding company by reason of its ownership of all the shares of voting stock of East Dubuque Electric Co. The company is engaged as a public utility principally in the generation, purchase, transmission, sale and distribution of electricity. It owns property in portions of 21 counties in northern Iowa, in portions of 28 counties in the southern part of Minnesota, in portions of 2 counties in northwestern Illinois, and in a portion of one county in South Dakota. It is also engaged in the sale and distribution of natural gas in the cities of Albert Lea, Minn., and Clinton, Iowa.; in the operation of buses in the cities of Dubuque, Iowa, and East Dubuque, Ill.; and in the furnishing of steam heating service in the City of Albert Lea, Minn. Territory served by the company and its subsidiary is estimated to have a population served at retail with electricity of 264,000.

Other members of the offering group include: Harriman Ripley & Co. Inc.; Salomon Bros. & Hutzler; Hallgarten & Co.; Laurence M. Marks & Co.; R. W. Pressprich & Co.; Reynolds & Co. Inc.; Dick & Merle-Smith; W. C. Langley & Co.; Goodbody & Co.; R. S. Dickson & Co., Inc.; First of Michigan Corp.; Gregory & Son, Inc.; Granbery, Marache & Co.; Stetson Securities Corp., and Winslow, Douglas & McEvoy.

With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Israel Zuckerman is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

With Cyrus J. Lawrence

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, announced that James C. Dudley has become associated with the firm.

Continued from page 5

New Factors in Business Outlook

ministration took over in January, 1953, and many of them are for the better. Some of the changes may be described in terms of action; others in terms of attitudes. Both actions and attitudes will influence the future.

It is perhaps damning the Administration's fiscal policy with faint praise to say that it is superior to and more realistic than that of the preceding administrations. I do not mean it that way, however. I am sure that because of your professional interests you will agree that the Administration's success in stabilizing the dollar is one of its most noteworthy achievements.

A second change is seen in the reversal of the trend of government competition with private business. Specifically, there is the reversal of what Herbert Hoover called "Twenty years of creeping socialism in the field of electric power." The chance came when resident Eisenhower in his Budget President Eisenhower in his Budget Budget Message last January announced his intention of reducing the financial commitment to TVA by permitting a private utility company to erect a steam-power plant for the Atomic Energy Commission.

A third is the flexible farm supports program advocated by Secretary Benson and recommended by President Eisenhower despite heavy pressure from the farm bloc, and despite the certain knowledge that flexible farm supports would be blamed for the decline in farm income during the past year, and also despite the certain knowledge that the program would come back to haunt them at the ballot box.

I do not want to veer into a political speech. I am not going to do any tub thumping for the Administaration. However, it does appear that a distinction is being made between expedient and principle, and it promises well for the business outlook.

In the attitude toward electric power and flexible farm supports there is a return to a government policy based on a philosophy of government that largely disappeared a little more than two decades ago. During the early 1930's government began to shift its emphasis from *promoting* the general welfare to *providing* the general welfare, and the change was not for the better. In his study, "The Case Against the Welfare State," Senator Karl E. Mundt, of South Dakota points out that "precisely in the degree that government in this country shift its emphasis and its efforts from the job of promoting to the job of providing the general welfare, the United States shifts from a state operating on the principle of private enterprise and individual initiative to one operating on the principle of the welfare state."

I think that I have made it clear I do not pretend to omniscience. Hence, I can only speculate—as I have been doing—as to how some of the current trends in business and government are likely to affect the economic future.

Living in an Economically Abnormal Age

There is no denying that you and I are living in an age that is economically abnormal because the productive capacity of the United States is being called upon to do double duty. American industry is busy turning out goods to meet the demands of a population of some 160,000,000 people. At the same time, with the portentous threat of armed conflict ever present, it is necessarily turning out the materials of war.

By common consent, the United States enjoys an unusually high standard of living. By common consent, our defense force is steadily becoming stronger and more efficient. We do not want to lower our living standards. As long as the threat of war remains we dare not let up on the spending for defense which accounts for a substantial part of all governmental expenditures.

The question is, how long can our economic structure carry the double burden without breaking under it. The danger here does not lie primarily in putting american industry and industrialists to a severe and prolonged test. On the basis of their record, in World War II and thereafter, they have the ingenuity, the stamina, and the potential capacity to set new records and then go ahead and break them.

The Long-Range Danger

The real danger — the long-range danger—lies in the increase of national purchasing power beyond the capacity to satisfy the demand for civilian goods, which is a quite different thing. As the gap between purchasing power and available goods becomes wider, prices rise. If it becomes too wide, prices rise until serious inflation becomes a very real threat.

This brings to mind a condition which I think deserves more than a passing thought. It is easy to say, as I just said, that the standard of living in the United States is unusually high. It is also easy to say, without some jubilation perhaps, that the national income is steadily increasing. So it is. But from group to group there are peaks and valleys in income. The increase is by no means an across-the-board increase, as one group lags behind another.

The building trades, automobile and electric workers and the like command high wages, and I certainly do not begrudge them their well-filled pay envelopes. But I cannot help wondering how long their annual wage can be maintained at the level they are accustomed to. They are already pricing themselves right out of the market, because the service worker, the college professor, the teller in your bank, whose wage has not kept pace with theirs, finds himself—to put it mildly—at a disadvantage. The $65-a-week-clerk will think twire before he hires a $3.00 an-hour painter to paint his house or even his kitchen. As a matter of fact, he won't hire him. He will do it himself. Thereby he contributes to the growth of the rapidly expanding Do-It-Yourself industry, but he leaves the painter in a kind of splendid isolation.

An actual example of what happens when wages get out of line was the experience of the Studebaker corporation last summer when it found itself in serious trouble because it had been paying its 10,000 workers a wage 14% higher than the hourly average rate for the industry. The wage differential had to be absorbed in the price of the car. Naturally, sales fell off almost to the vanishing point and profit was turned into a loss.

The workers were asked to take a pay cut which, after some argument, they did, by a vote of eight to one. Commenting on the incident, "Collier's" wrote: "The democratic process — the technique by which free people run their own affairs—is as important and serviceable to labor as to any other part of the body politic. A good illustration of this was provided recently by the 10,000 workers at the Studebaker plant at South Bend, and we commend it to be the careful study of all American labor unions. . . . The part of this process—independent thinking, responsible action, and the secret ballot — are the basic tools available to free men everywhere to run their lives and order their destinies as they see fit. But the tools aren't worth a plugged nickel unless used, and the instrument of the secret ballot should be used throughout American labor unions."

The Studebaker merger with Packard, coupled with the Hudson-Nash-Kelvinator merger into American Motors, which preceded it by a few months, cannot be dismissed merely as an attempt on the part of the independent automobile manufacturers to continue to survive on the 5.8% of the market left to them by General Motors, Ford and Chrysler.

The automobile mergers seem to be symptomatic. The trend is seen in other industries as well. They consolidate largely because high capital costs make it difficult for independent, or small, ventures to create new business. Only time will tell how far the trend will go. Meanwhile, the Federal Trade Commission's proposed study of recent mergers should prove interesting. The Administration's policy, no doubt, will be decided on whether or not the commission finds them in the public interest.

I almost hesitate to say anything about the cost of government as it influences future business because it is an explosive topic. The old adage that the power to tax is the power to destroy is well illustrated this quarter by the number of businesses that paid larger dividends, not because of an appreciable increase in income, but because of an appreciable decrease in taxes.

Scope and Cost of Government Is Enlarging

I cannot subscribe to the school of thought which cannot make a distinction between proper and improper expenditures of tax revenues, which holds that whatever taxes are, they are too high, although that approach has interesting possibilities. As a practical person, I want to know what I am getting for my money. It cannot be denied that the growth of social conscience in this country has enlarged the scope of government and hence its cost. In some respects we have gone over board. On the other hand, few of us would care to return to the standpattism of, for example, Joseph G. Cannon, who was not only Speaker but Czar of the House of Representatives some 40 years ago. Cannon was so pathologically opposed to change of any sort that William Hard wrote of him, "Had Cannon been present at the creation, he would have fought for the preservation of chaos."

Appropriations for public projects—soil conservation, reforestation, the building of roads, and the like—have the twin advantage of aiding private industry while they are also in the public interest. These are actually investments in new capital assets. As our agent, the government is building up our physical plant.

On the other hand, however, is the enormous burden of the public debt—Federal, State, and local —which must constantly be serviced, and eventually paid. It cannot, unfortunately, be written off, literally or figuratively. We cannot dispose of it by saying, as one politico-economist once did, that it is of no consequence because, after all, we owe it to ourselves.

Also disturbing is the foreign aid program, carried on at enormous cost to us out of motives than many Americans think of as quixotic at best and at worst as a kind of bribery on an international scale.

Finally, there is the direct and indirect cost of maintaining some 3,000,000 office holders on the public payrolls. I would not try to indict all office holders any more than I would try to indict a whole people. But we still have too many bureaucrats. Some thousands of them have been removed, but too many remain. The direct cost of the bureaucrats is their salaries and perquisites of office. The indirect cost is the dissipation of funds that arises out of the ignorance, incompetence, and self-seeking of those men whose disregard for the taxpayer's interest is in direct proportion to their self-interest; that is, their monomaniacal urge to perpetuate themselves in office.

If I continue in this vein much longer you will begin to believe that I am a professional pessimist, or at least a viewer-with-alarm. I do not mean to be. In fact, I am not. However, I do not believe in minimizing the problems that lie ahead of us. We can't make them go away by closing our eyes and pretending they are not there.

For the sake of convenience, we might take a short-range view of the economic future—over the next six months or so; and then raise our sights.

Our Most Valuable Assets

The short and the long-range view have certain intangibles in common and they appear among our most valuable assets. What are they?

We are a vital people, still strong despite the vicissitudes of the past decades — the depression of the 'thirties, the war of the 'forties against enemies from without, and the constant threat of enemies from within, which overlapped the 'thirties and 'forties. We have the best form of government ever devised by man, a government which has withstood the onslaughts of those who would rob it of its substance and leave it only an empty form. We have an economic system that, despite its faults, has met every demand made upon it by a world gone badly awry while at the same time it continued to provide us with a standard of living higher than that enjoyed by any other people at any other time.

The short-range forecast is one that few economists care to make. Businessmen, however, are not so timid. When the "Journal of Commerce" made its annual fall outlook survey, the consensus among 381 leading businessmen was, as the "Journal" put it, that things are looking up.

"Scratch a little deeper and you'll find a real hard core of optimism. This optimism is tempered by two premises, both accepted as facts: (1) the anticipated improvement in business will be mild; (2) the business executive expects to have to fight 'like hell' to achieve the plus signs.

"Harder selling, closer control of costs, new product development —in fact a whole hatful of stratagems are management's arsenal in its uphill fight out of the sticky, mild recession which has gripped the country for these several months past."

It seems likely that sales and profits in the final quarter of 1954 should be better than in the corresponding quarter of 1953, and unless the unforeseen happens, the favorable trend should continue into the new year. The decline in farm income is tapering off. The President's economic advisors forecast only a 5% drop for next year, followed by an upturn in 1956.

Meanwhile, as Roy A. Foulke, Vice-President of Dun & Bradstreet, Inc., said in an analysis not long ago, business is still in a period of slow reduction of inventories. "We are in a position today," he said, "of having recovered from the recent very moderate recession without the push which comes from building up inventories. As a matter of fact we have recovered from this moderate recession while inventories were being gradually reduced, and that is most unusual. That fact alone indicates the inherent strength in our economy at this time."

Long-Run Economic Prospects Are "Good"

What are the economic prospects for the long run? They can be described in one word: good.

I say they are good because I happen to believe that American business and industry are sound at the core. I believe that in the future of America lies opportunities such as we have never known and that we have the wit and the resourcefulness to make the most of them.

While we have been concerned with the present and the immediate future some of us have lost perspective. We have not been enough aware of new forces, new pressures that have been building up which can have a powerful effect on our people. These forces —and there are two of them— have been variously described, but best put about a year ago by William A. McKeehan, Jr., of the J. Walter Thompson Advertising Agency. I borrow his words quite shamelessly because he stated cogently what many of us have felt when he said: "First, a variety of *changes* are taking place in the United States today . . . and at a faster pace than ever before in our history. Second, this country today faces major needs that can greatly expand our economy. These two factors together, the changes taking place, and the needs before us, can result in a substantial long-time upgrading of everybody's standard of living."

A List of Favorable Factors

The list is long. The list is impressive, both for the immediate and long-range future. Our standard of living is rising. Our population is increasing and life expectancy is constantly becoming greater. Employment and wages, despite scattered declines, continue to be high. Higher education has become a much more important factor in the competition for good jobs and advancement. Technological advancement and farm mechanization are increasing industrial and farm output per man hour.

Complementing the changes are the needs, not only for this year and next year, but for many years to come. For example, modern automobile traffic has made a substantial part of our highway obsolescent, if not actually obsolete.

Our schools are already overcrowded. By 1960, when we will have reached a population of almost 180,000,000, the physical plant will be bursting at the seams. It must be constantly replaced and enlarged.

A sociological side light worth mentioning is this: More than 34,000,000 babies have been born in the United States since the end of World War II. These children, as one commentator remarked, "Will be a profound stimulus to our economy for many years as we feed, clothe, house, educate them and help them see and enjoy the world. Already toy-making is close to becoming a billion-dollar-a-year industry."

Increasing population creates other needs: For more dwellings and other buildings; for an expansion of the voluntary hospital system, and for a constant expansion and modernization of industry. Each need as it is met and each must be met — means the creation of more jobs and hence more income. It means, in short, the perpetuation of individual and national prosperity.

How sound is this *changes-needs* thesis? Is it tenable, or are those who hold it whistling in the dark to keep up their cour-

age? The American Telephone and Telegraph Company, duPont, Chrysler, and Standard Oil of Indiana do not think so. They are spending tremendous sums of money expanding and modernizing their facilities to turn out more products in preparation for the future. General Motors did not think so when it decided to invest at least $1 billion in plant and equipment over a two-year period. The General Motors proposal, as the "Saturday Evening Post" wrote editorially, was "Not a piece of flag waving or a gesture to create 'confidence', but the result of a plain business decision based on faith in the American future and a pretty convincing analysis of the prospects immediately ahead."

There is, of course, another side to the picture—the side that we have seen too often and that many of us have emphasized too often; largely, I suppose, because destructive criticism is so much easier than constructive suggestion.

We Americans have a vivid memory of a painful and powerful object lesson in economics that we learned at great cost 25 years ago. We learned then, and we have not forgotten, that economic laws are as inexorable in cause and effect as the laws of nature are. In the years that preceded the crash of 1929 and the depression of the 1930's we were wilfully blind to the obvious signs of failing economic health and we paid a heavy price for our blindness.

Our recollections of those desperate times is unquestionably an element — influential but not necessarily determining — in the current prognosis of such of the economists who lack confidence in the future, if they are not actually fearful of it. I am not saying that we should not profit by experience, or that like causes do not produce like effects. I am suggesting however, the folly of assuming parallelisms where none exist. I am suggesting that it would be folly to worry ourselves into what has been called a "psycho-depression." Frankly, if we are that fearful we deserve anything that happens to us, for the simple reason that we asked for it. However, having let ourselves in for one depression through unreasoned optimism, it would be ironic indeed if we brought on another by an equally unreasoning pessimism.

We have spent to much time looking back and not enough time looking forward. We have spent too much time counting and recounting our liabilities and not enough time totaling up our assets. If we would only set the one against the other we would see that the balance is preponderantly in our favor.

Our economy is sound. It is expanding. We are not duplicating the wonderful nonsense of the 1920's. The Federal Government is determined to use all the facilities at its command to prevent economic setbacks and to promote stable economic growth. It has in mind a program which will encourage the consumer through the expansion of business, which is, at last rid of many of the restraints which previously restricted its legitimate activities.

The greatest need—in fact, it is the only remaining need—is for confidence, the same confidence that has been deep rooted in the American character from the very beginning, the confidence which, despite all the vicissitudes of national life, has brought us to a peak unreached by any other nation in history, and which can be the open sesame to the opportunities of the future.

Continued from page 5

Observations . . .

can be made. These are tabulated in the Wisenberger manual, "Investment Companies," showing both open- and closed-end companies—in the case of the latter, which sell at a sizable discount, management service is provided gratis.

Correlative with the expense item, is appraisal of the expectations regarding *recurrent* investment income. This does not imply that the funds with the highest rate of return should be selected, as a higher return often implies a greater degree of risk. In addition to making selection between equal-risk companies, *diversification* among high and low risk units is the all-important key.

The detailed income over both the long- and short-term is available, among other places, in the Henry Ansbacher Long Index of Mutual Funds published monthly in *Trusts and Estates*, and in "Wiesenberger." The stock funds show a five-year average of investment income ranging from 2.81% to 5.72%, some of the well-managed funds averaging up to 4½% over long periods.

Misconception About Capital Gains

Both the prospective and existing fund holder is faced with major obfuscation concerning the true status of capital gains and their distribution by the trusts. Such confusion, accentuated now by the big bull market which makes such gains not only easily available but also expected, is not alleviated by even the professional attending discussion.

Irrespective of the formal legally-inspired statements noting the differentiation of capital gains distribution from investment income, in the public mind there is an increasing spilling-over of non-recurrent capital profits into the concept of income.

Certainly more and more managements are becoming conscious of the popularity of annually paying out an approximately regular amount of capital gains, which is abetted by the commentary of some analysts and services.

Some funds' managements not only defend non-recurrent capital gains as income, but even pay them out before the end of their fiscal year.

In the case of closed-end funds, correlation between closing-up of their market discount and the distribution of capital gains may be noted.

Thus, portfolio policy may be suited to the end of distributing a desired amount of profits; a currently indicated example of this being one important company's final dividend declaration in November, with the evident peculiar assumption that December can see no change in market values warranting their further portfolio action.

Of course, it must be realized that the tax statute is the root cause of the trouble in forcing the pay-out of those portfolio profits which it is deemed wise to take. But surely the public's conversion of a tax necessity into an advertising gimmick is not justified!

Constructive Realism

An excellent and realistic contribution toward clarification of this situation has been made by Harry I. Frankard, 2nd, mutual fund official, in a pamphlet *UNDERSTANDING CAPITAL GAIN DISTRIBUTIONS*. On the premise that "some shareholders believe that the amount of capital gain distributions paid by an investment company is of itself a measure of the success of the company," he carefully points out that:—

"Capital gain distributions are not income to the shareholder receiving them, but rather they represent the return to him of a portion of his capital at work in the investment company. The Federal income tax law taxes such profits not as income but as capital gains."

"An increase in the value of the shares of an investment company occurs when the aggregate market value of the securities owned by the company increases—not when profits are realized by the sale of securities. . . ."

"The receipt of a capital gain distribution (disregarding tax considerations) has the same effect upon the shareholder as if he had not received the distribution but had sold some of his shares to raise the same amount of money."

"The receipt of a capital gain distribution in stock (disregarding tax considerations) has the same effect upon the shareholder as if he had received a stock split-up; that is, he has two stock certificates which together have the same value and earning power that the one certificate had before the distribution."

And Mr. Prankard includes the following advice to the investor concerning his attitude toward capital gain distribution:

"Investors should buy investment company shares on their merits as a long-term investment, without regard to capital gain distributions soon to be paid. . . ."

"Shareholders should consider a capital gain distribution to be a return to them of a portion of their capital at work in the company, and *not* income, whether they receive it at the end of the company's fiscal year or along with their quarterly dividends from net investment income. The rate of return or yield on investment company shares should be measured solely by the dividends from net investment income. . . ."

"In considering the performance results of an investment company for a selected period of time, an investor should take into account the total of its capital gain distributions in the period. The usual practice is to compare the per-share net asset value at the beginning of the period with the per-share net asset value at the end of the period *plus* the per-share capital gain distributions in the period. A better practice would be to assume an initial holding of a convenient number of shares, such as 1,000, and compare the original value thereof with the value of the total holding at the end of the period, assuming that each capital gain distribution was taken in additional shares of stock."

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To our choosing fund investor, your columnist would particularly endorse the adjuration to appraise the investment company's rate of return solely by the dividends from net investment income—and advise DIVERSIFICATION to the maximum.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The year-end government refunding is still having its influence upon the money markets and it will most likely continue to be an important factor for some time to come. The eight-year, eight-month 2½% bond is considered to be a very good issue and many institutions have obtained a security with a satisfactory rate of return. Not only the out-of-town deposit banks but also the large money center institutions were reportedly among the important takers of the refunding 2½s. To be sure, there has been some soft spots in the market but these are expected to be cleared up in the not distant future.

The near-term refunding issues have been well absorbed, according to advices, because there was a large institutional demand for these securities. The Treasury, in this operation, has left the money market pretty much to the non-United States Government investors.

Non-Treasury Investments Scanned

It seems as though considerable of the appeal of government securities for investors is being taken over by other forms of investment because there is a more favorable return available in the latter. However, it is evident that even though the supply of certain of the non-United States Government obligations will be sizable for some time to come, not a few institutional investors are less interested in these securities than was true a while back. This does not mean that there will not be plenty of buyers for such obligations, because there is an ample amount of funds around seeking such an outlet.

Nonetheless, there seems to be more discrimination in the selecting of these securities than was the case not so long ago. Also the rate of return on these investments is not as good as it formerly was and this has tended to slow down modestly the acquisition of these investments.

The moderate slow-down in the purchase of investments other than Treasuries is a natural development because there is the prime question of security, that is from the standpoint of the safety of principal. In addition, the opinion among some investment managers is that many of the non-Treasury obligations that will be coming along in the future are not going to be bought unless the rates are higher than what is being talked about currently.

Lessened Demand for Mortgage Loans

As far as mortgages are concerned, there is no let-down in the demand for these loans and the banks and insurance companies appear to be nearly as desirous as ever of getting hold of those which meet their requirements. On the other hand, nonetheless, some of these institutions have been showing less of a tendency to accept all of the mortgages which could be bought by them. The fact that the mortgage portfolio is pretty well taken care of in many of these institutions, takes some of the need away to go out and buy everything that is being offered in this particular field.

Scarcity of Long Treasuries

The fact that there is a rather wide range in the selection of earning assets outside of government securities for most institutions does not, however, help those buyers that must confine their commitments to Treasury obligations. These purchasers of government securities are not too much interested in the short-term obligations, because they are concerned with the higher income which comes with the longer-term issues.

However, aside from the 3¼s of 1978/83, there are no really long government bonds and the premium which has to be paid for the most distant Treasury obligation, as well as the scarcity factor, has taken considerable away from the 3¼% bond which certain funds would like to buy. There have been selected purchases of the longer 2½% bonds by those that are restricted to government issues, but many of them contend that these securities do not meet their needs the way a really longer term bond would.

Equity vs. Bond Market

Another factor which is having an influence upon the trend of prices of government securities is the question as to whether the bull market in common stocks will not eventually have an effect upon the money markets. It is felt by some that the strong uptrend in the price of equities will in time bring about higher money rates. On the other hand, there are those money market specialists who are of the opinion that the trend of the stock market will have no influence upon the bond market because funds are not being taken away from business or other constructive purposes by the equity market. In addition, the monetary authorities have other means of dealing with the stock market.

Searight Offers Atlas Credit Corp. Shares

George A. Searight, of New York City, is offering publicly securities of Atlas Credit Corp., Philadelphia, Pa. These consist of 74,800 shares of 20-cent cumulative convertible preferred stock (par $2.50) and 74,800 shares of common stock (par 10 cents) in units of one share of each class of stock at $4 per unit.

The preferred stock is redeemable, all or in part, at $2.75 per share and accrued dividends, and each three shares thereof may be converted into five shares of common stock.

The net proceeds from the sale of the units will be used by the company to carry on its usual and ordinary business and also to meet expanding demands for credit, and for the purchase of new instalment paper.

Atlas Credit Corp., formerly Atlas Discount Corp., was incorporated in Pennsylvania in March 1953, and its business is to purchase, discount and rediscount instalment notes and other indebtedness. The company operate primarily in Philadelphia and in the area within a 50-mile radius of that city.

Instalment notes receivable outstanding have increased from $23,522 as of March 3, 1953, to $465,990 at Aug. 31, 1954.

Giving effect to the present financing, Atlas Credit Corp. will have outstanding 74,800 shares of convertible preferred stock and 504,800 shares of common stock.

Mutual Funds

By ROBERT R. RICH

"DESPITE THE fact that the Dow-Jones Average (which is really no average, but rather an index, and adjustable as it goes along) re-attained its high point of 1929 last week, the market shows continued and convincing strength, and few people who are close to the Street are evincing the kind of fears that one might expect to be generated by the repetition of that historic peak," D. Moreau Barringer reported to Delaware Fund directors.

"The kind of good corporate news on which bull markets feed is still coming forth in undiminished volume, with extra dividends and stock splits the continued order of the day. Moreover, stocks respond to good news, and frequently tend to ignore the unfavorable items," he added.

"It seems likely that a lot of the optimism which is expressing itself in the enthusiastic price rise comes from a growing realization that the chance of war has measurable retreated, and the outlook for international trade commensurately advanced, ever since the armistice in Indo-China.

"The news of the German industrial recovery first began to impress investors a year or more ago, but the speed and height of that recovery continue to gain. In Britain, much the same story has been appearing more recently, with the United Kingdom's dollar balance gaining steadily, and British exports forming a major rival to American. While certain exporters will doubtless be hurt by increasing and intense competition from European and Japanese manufacturers, there can be little doubt that an important rise in the productivity and standard of living of other major countries is bound to react favorably on the American economy. If the November market rise is built on a broadening appreciation of that fact, it is probably justified," Mr. Barringer concluded.

SALES OF shares of the Atomic Development Mutual Fund have topped $10,000,000 in only 11 months since its first public offering. Newton I. Steers, Jr., President, announced Monday. This record makes its the fastest growing open-end investment fund in U. S. history.

Beginning operations last Dec. 14 with assets of $10,000, the atomic fund grew to $2,200,000 on June 30 and reached the $4,000,000 mark on Aug. 10.

Since the beginning of its fiscal year, July 1, the Atomic Development Mutual Fund has not only ranked first in percentage growth but has also been in tenth position among all open-end funds in actual dollar sales, with all of the nine leaders having assets of more than $100 million each.

The Fund has broadened its holdings gradually in recent months, Mr. Steers said, and now owns shares in more than 85 different companies engaged in atomic energy activities ranging from uranium mining to engineering and development of nuclear power reactors. Net assets per share have increased from $10.88 on June 30 to $13.35 on Nov. 19.

The Atomic Development Mutual Fund is the only open-end management investment company specializing in securities of companies active in the atomic energy field. It is aporoved for sale in 44 states, the Territory of Hawaii and several provinces of Canada.

"AS IN THE case of all strikingly new developments, atomic power will stimulate many highly speculative ventures," Distributors Group reminded investment dealers in a recent memorandum.

"Most of these ventures will result in losses to shareholders. For the near future, the investor will find his greatest opportunities, we believe, in the common stocks of the makers of equipment to generate and harness that power and in the field of applied use. Group Securities' Electronic and Electrical Equipment Shares are heavily weighted with the common stocks of exactly this type of company."

BOSTON FUND, one of the ten largest mutual investment companies in the country, reports total net assets of $112,484,803 at the close of its latest quarter on Oct. 31, 1954, equal to $27.28 per share on the 4,122,839 shares then outstanding. The report notes that this represents an increase of 21.3% from the net asset value of $22.72 per share 12 months earlier, adjusting for the capital gains distribution of 27 cents per share paid last February.

The quarterly report shows that common stocks comprised 70.8% of the fund's holdings at the end of last month compared with 58.2% a year earlier.

During the 12 months, the proportion represented by net cash and bonds was reduced from 24.1% to 12.9%; and that for preferred stocks from 17.7% to 16.3%. Commenting on these figures Henry T. Vance, President, observes that:

"This change, which was initiated early this year, has resulted in an improvement in income and, of course, added materially to the gain in asset value of the shares."

Mr. Vance also reports that during the 12 months ended Oct. 31, 1954, the number of shareholders participating in the Cumulative Investment Program, for accumulating share of the Fund through periodic purchase, has increased by approximately 37%.

F. EBERSTADT, President of Chemical Fund, Inc. reported today that total net assets of the fund had passed the $75,000,000 mark—highest level in the history

PERSONAL PROGRESS

ROBERT L. CODY has been elected Executive Vice-President of Commonwealth Investment Company, S. Waldo Coleman, President, announced Tuesday. He also becomes Executive Vice-President of Commonwealth Stock Fund, North American Securities Company, and North American Investment Corporation, the announcement said. He will continue serving as Secretary of the four companies.

Mr. Cody joined the Commonwealth organization in 1938 as a security analyst. He is a graduate of Stanford University and the Stanford Graduate School of Business. A native of San Jose, Calif., he lives with his wife, son and daughter at 2 White Oak Court, Menlo Park, Calif. He is a member of the American Society of Corporate Secretaries.

THE APPOINTMENT of Warren A. Casey as senior security analyst for the $24 million Delaware Fund was announced Wednesday by W. Linton Nelson, President.

Mr. Casey brings to the mutual fund a broad executive experience in the analysis of investments. He has been associated with a number of leading financial houses in Boston and Philadelphia as security analyst, and has done similar work with governmental agencies.

He has served with the U. S. Securities and Exchange Commission as senior public utilities analyst and with the Federal Deposit Insurance Corporation as principal security liquidation analyst.

Most recently, he has held the post of security analyst in the Philadelphia office of the New York Stock Exchange firm of Hecker & Co.

Mr. Casey is a member of the board of directors of Standard Products Company, world's largest manufacturers of automotive window channels.

During World War II he served as fiscal officer with the Army Service Forces. He is graduate of Boston Latin School and of Harvard University where he received his B. A. degree in 1934. He subsequently received his M. B. A. degree from the Harvard Graduate School of Business Administration.

Closed End News

GENERAL AMERICAN

In the report of General American Investors Co., Inc. Frank Altschul, Chairman of the Board, stated that as of Sept. 30, 1954 net assets were $55,140,291. After dividends of $742,329, the increase for the nine months was $8,606,616.

Net assets, after deducting $5,993,000 Preferred Stock, were equal to $27.30 per share of Common Stock on the 1,800,220 shares outstanding, as compared with $25.74 on June 30, 1954 and $22.52 on Dec. 31, 1953.

Net profit from the sale of securities for the nine months was $2,484,431. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $781,910.

PETROLEUM CORP.

Petroleum Corp. of America recently announced that the net asset value of its common stock at Sept. 30, 1954 is estimated at $29.91 per share compared with $22.51 at Dec. 31, 1953.

Canada Fund Gives First Portfolio

The management of United Funds Canada Ltd. made the first announcement of its portfolio with the release of its position as at the close of business Oct. 29, 1954. As of that date, total net asset value stood at $6,530,709 (Canadian).

The Canadian investment company, whose shares were first offered publicly in the United States last August, showed a larger part of its investments centered in metals and mining, banks and trust companies, oil and gas, paper and pulp, and public utilities. The portfolio list follows:

UNITED FUNDS CANADA LTD.
Portfolio at close of business Oct. 29, 1954

	Market Value
Automotive—2.49%	
Ford Motor Co. of Canada, "A"	$139,687
Goodyear Tire & Rubber Co. of Canada, Ltd.	22,785
Banks & Trust Cos.—13.80%	
Chartered Truts	67,500
Canadian Bank of Commerce	134,400
Dominion Bank	172,200
Imperial Bank of Canada	47,705
Bank of Montreal	160,387
Bank of Nova Scotia	109,450
Royal Bank of Canada	112,187
Bank of Toronto	96,332
Construction—5.51%	
Asbestos Corp.	110,200
Canadian Vickers	5[illegible],500
Dominion Bridge Co.	48,600
Gypsum, Lime & Alabastine Canada	39,812
MacMillan & Bloedel "B"	89,000
Sherwin-Williams Co. of Canada	13,924
Chemicals—3.03%	
Canadian Industries (1954) Ltd.	69,275
Dominion Tar & Chemical Co.	45,000
Du Pont of Canada Securities	83,725
Electrical Equipment—1.15%	
Canada Wire & Cable Co. "B"	22,780
Canadian Westinghouse Co.	52,500
Finance Companies—4.42%	
Industrial Acceptance Corp.	118,950
Traders Finance Corp. "A"	16[illegible],575
Merchandising—.87%	
Simpsons	56,625
Metals & Mining—16.61%	
Aluminium Ltd.	155,000
Consolidated Mining & Smelting Co. of Canada	81,750
Dominion Magnesium	26,500
Hollinger Consolidated Gold Mines	39,687
Internatl. Nickel Co. of Canada	165,375
McIntyre-Porcupine Mines	73,500
Mining Corporation of Canada	79,375
Noranda Mines	181,875
Quemont Mines Corp.	60,375
Sherritt Gordon Mines	68,600
Steep Rock Iron Mines	67,500
Waite Amulet Mines	85,850
Oil & Gas—11.23%	
British American Oil Co.	138,750
Canadian Oil Companies	23,062
Canadian Superior Oil of Calif.	19,750
Calgary & Edmonton Corp.	26,750
Great Plains Development Co. of Canada	67,375
Hudson's Bay Co.	37,250
Imperial Oil	119,200
International Petroleum Co.	85,000
Merrill Petroleums	69,750
Royalite Oil Co.	84,000
Royalite Oil Co. 5¼% preferred	53,500
Triad Oil Co.	9,000
Paper & Pulp—8.23%	
Abitibi Power & Paper Co.	41,400
Anglo-Canadian Pulp & Paper Mills	64,750
Anglo-Newfoundland Development Co.	10,500
Consolidated Paper Corp.	57,875
Great Lakes Paper Co.	27,250
Hinde & Dauch Paper Co. of Canada	75,006
Howard Smith Paper Mills	64,062
Powell River Co.	86,100
St. Lawrence Corp.	110,500
Public Utilities—8.42%	
Bell Telephone Co. of Canada	170,050
British Columbia Electric Co. 4½% preferred	49,500
British Columbia Power Corp.	155,100
Gatineau Power Co.	122,062
Interprovincial Pipe Line Co.	53,500
Steel—1.44%	
Dominion Foundries & Steel	59,087
Steel Co. of Canada	35,500
Miscellaneous—3.52%	
Distillers Corporation-Seagrams	75,600
Toronto Elevators	2,550
Hiram Walker-Gooderham & Worts	151,500
Bonds—15.75%	
$1,000,000 Government of Canada 3¼% 1979	1,002,500
Cash & Other Assets—3.93%	256,440
Total net asset value	$6,530,709

of the fund. Since the beginning of 1954 Chemical Fund's net assets have increased by about $20 million.

"The strong interest which investors are currently displaying toward Chemical Fund," Mr. Eberstadt said, "stems in large part from a realization of the growth possibilities that nuclear chemistry offers many chemical companies. The chemical industry is a major contributor to nuclear development while nuclear advances in turn contribute to chemical progress. This reciprocal relationship may prove to be one of the most important developments in the history of the chemical industry." Mr. Eberstadt added that sales of Chemical Fund are currently running at record levels.

DIVIDEND SHARES reports a new high in assets, per share value and number of shareholders on Oct. 31, end of the fund's fiscal year.

Net assets totaled $150,469,358, compared with $116,326,124 on Oct. 31, 1953, a gain of more than $34,000,000. This is due both to an increase in the market value of investments and to substantial purchases of shares by investors. The number of shareholders increased during the year from 59,000 to 70,000.

Net asset value per share equalled $2.12 on Oct. 31, 1954 compared with $1.80 per share earlier.

The report attributes the sharp rise in the prices of the common stock Dividend Shares, Inc. holds to a growth of confidence in the economic outlook and government policies toward greater economy and more equitable taxation.

"For a number of years following the end of World War II," the report states, "common stock prices were at abnormally low levels in relation to corporate earnings and dividends, reflecting a low state of investment sentiment. The rise in common stock prices since September, 1953, has done no more than restore a more normal rate of capitalization of corporate earnings and dividends. Common stock prices in relation to earnings are still well below the peaks of previous major bull markets in 1929 and 1937."

TELEVISION - ELECTRONICS Fund recorded a $28 million increase in net assets in its fiscal year ended Oct. 31, 1954.

The increase of more than 100% brought total net assets at the close of the period to $55,868,018. Of this total, unrealized capital appreciation was $12,505,729.

Net asset value on Oct. 31, last, amounted to $9.47 a share and represented a 37% increase over the asset value of $6.92 a share at the close of the previous year after adjustment for the two-for-one split in January, 1954.

During the first quarter of its fiscal year the Fund increased its holdings of aviation manufacturing securities from 3% to 8% of the company's assets.

"Marketwise," the report noted, "these holdings increased so rapidly that they became a higher proportion of the total portfolio than was deemed advisable to have invested in one industry. After due consideration," the report continued, "portions of the aircraft securities were sold but because of their increase in market price the same relative percentage of such holdings was maintained."

Chester D. Tripp, President, told shareholders that for the greater part of the year the assets of the Fund were fully invested in equities. He said the portfolio covers all phases of electronics which includes, he pointed out, a sizable number of conservative investments in companies engaged in research, development and production in the field of nucleonics.

The Fund executive told shareholders that informed projections place overall electronics volume for 1955 at $8.5 billion. He added that most informed authorities anticipate a continuing increase in this dynamic growth with some projections as high as $20 billion in the '60s. The portfolio listed approximately 120 securities.

ASSETS OF Selected American Shares, mutual investment fund, rose to $34,467,561 or $15.94 a share at Sept. 30, 1954, compared with $25,109,238 or $12.49 a share a year ago. In the 12-month period a capital gain distribution of 45c a share was made. Dividends from income in the first nine months totaled 36c a share, the same as in the like period in the three prior years.

Five largest investments by industry were electric utility 10.5% of assets, oil 9%, electric equipment and television 8.5%, building 7.2% and chemical and drug 7.1%. Common stocks accounted for 84% of assets. The balance was in U. S.. Governments and cash.

During the third quarter the company added the following stocks to its holdings: RCA 10,500 shares, General Motors 10,000, Neptune Meter 5,000, North American Aviation 2,500, Vanadium and Western Pacific RR. 2,000 shares each, Allied Chemical 1,500, Aluminium, Cities Service, Cilmax Molybdenum, Inland Steel 1,000 shares each.

It increased its holdings of Alcoa, American Radiator, Associates Investment, Bethlehem Steel, Continental Can, Kennecott, Libbey-Owens-Ford, Louisiana Land, U. S. Gypsum, U. S. Steel.

The company eliminated its entire holdings of American Hospital Supply, Armstrong Cork, Corning, Federated Dept. Stores, Glidden, International Minerals, Marine Midland, Texas Co. Holdings were reduced in American Cyanamid, Bendix Aviation, Boeing, Borg-Warner, Carrier, Consolidated Edison, Iowa-Illinois Gas, Jewel Tea, Ohio Oil, Phillips, Safeway, Sears, Shamrock Oil, Southern California Edison, Union Carbide, United Fruit, Visking and Westinghouse.

MASSACHUSETTS Life Fund, reports for the quarter ending Sept. 30, 1954 total net assets of $19,531,500, equal to $33.08 a share, compared with $15,468,270, equal to $27.53 a share, at the same time a year ago, and with $18,543,038, equal to $31.74 a share, on June 30, 1954.

Rubber and steel stocks were among the securities substantially increased in the common stock section of the fund's portfolio during the quarter ending Sept. 30, 1954.

During the latest quarter major common stock acquisitions included: 1,000 shares Armco Steel; 1,000 Deere & Co.; 2,000 Firestone Tire & Rubber; 1,000 Goodyear Tire & Rubber; 1,000 International Harvester; 3,000 Kimberly-Clark Corp.; 2,000 National Dairy Products; 1,000 Oklahoma Gas & Electric; 1,000 Chas. Pfizer & Co.

Major sales of common stocks in the latest quarter included: 2,000 shares General Electric; 1,250 Gulf States Utilities; and 1,500 J. C. Penney.

NET ASSETS of The Bond Fund of Boston were $3,223,300, equal to $8.24 per share, on Sept. 30, 1954, it is noted in the semi-annual report of the Fund for the six months ended on that date.

These figures compare with $3,215,151 at the beginning of the present fiscal year on April 1, equal to $8.28 per share. During the six months period, the number of shares outstanding increased from 388,132 to 391,086.

The current report notes that at the end of September all bonds owned were of bank quality, with 52% rated Aaa or Aa, and the balance rated A or Baa.

Of the Fund's net assets at that time, 19% was represented by holdings of fiduciaries, profit sharing and non-profit organizations; 37% consisted of individual holdings, and 44% was represented by shares owned by insurance companies and other corporations.

Pointing out that the objective of the Fund is to afford a high degree of stability to both principal and income, the report observes that it has been possible in recent years to raise the quality standard and at the same time to increase income to shareholders.

SHAREHOLDERS of Keystone Speculative Common Stock Fund S-3 had a better than 43% increase in per share capital value during the fiscal year ended Oct. 31, 1954.

This was an 11% better performance than registered by the average of the class of speculative leaders from which the Fund's 47 common stocks, held on Oct. 31, were selected.

	Oct. 31,'54	Oct. 31,'53
Total net assets	$8,661,253	$5,460,640
Shares outstanding	862,626	735,230
No. of shareholders	3,920	3,534
Income per share	21c	*21.7c
Value per share	$10.04	*$7.00

*Adjusted to reflect the 60c distribution from security profits realized during fiscal 1954 and which represented a 5.6% reduction in per share income-earning assets at the time of payment.

THE ANNUAL Report to shareholders of Keystone Medium-Grade Bond Fund B-2 noted a 4.8% increase in per share net asset value for the fical year ending Oct. 31, 1954.

While this was approximately the same as the average price increase of the bonds from which the 39 portfolio issues held on Oct. 31 were selected, the Fund's gross income was higher than the average for such bonds.

	Oct. 31,'54	Oct. 31,'53
Total net assets	$21,531,786	$21,725,168
Shares outstanding	851,125	899,834
No. of shareholders	9,191	9,185
Income per share	[illegible]	50c
Value per share	$25.30	$24.14

The Fund is one of the 10 Keystone Custodian Funds whose combined net assets on Nov. 29 totaled $274,250,100.

Investors Stock Fund

Total net assets of Investors Stock Fund, Inc., mutual investment fund affiliate of Investors Diversified Services, Inc., rose from $54,120,823 to $87,063,059, an increase of $32,942,236 during the fiscal year ended Oct. 31, 1954, according to the fund's annual report. During the same period the number of shareholders increased from 20,600 to 28,500, a gain of 7,900 for the year.

The fund's fiscal 1954 distribution from investment income was 71½ cents per share, as compared with 72½ cents per share for the previous fiscal year, and distributions from security profits were 29 cents per share against 26½ cents per share last year. About 77% of the fund's shareholders are re-investing dividends to purchase new shares at net asset value.

Compo Shoe Machinery Offer Underwritten

The Compo Shoe Machinery Corp. is offering to its common stockholders of record Nov. 22 the right to subscribe on or before Dec. 7 for 30,928 shares of 5% cumulative convertible preferred stock at par ($25 per share) on the basis of one share of preferred stock for each 10 shares of common stock held (with an oversubscription privilege). This offering is underwritten by a group of underwriters headed by Loewi & Co.

The preferred stock is redeemable at $26.50 per share on or before Dec. 31, 1956 and at 25 cents per share less for each succeeding year until said price reaches $25.50, plus in each case accrued dividends.

It is contemplated that the net proceeds of the issue will be added to the working capital of the corporation to replace funds expended on research and development, and on added sales and executive organization, to provide for purchase and manufacture of revenue-producing equipment, to provide for general increase in inventories and accounts receivable, due to expansion in types and units of revenue-producing equipment and new products to be merchandised, and, in general, to be available for continued expansion; no exact allocation of such funds can be determined at the present time.

Compo Shoe Machinery Corp. was organized in Delaware on Jan. 10, 1929, for the purpose of taking over the assets and property of a New Jersey corporation of the same name which was formed in August, 1928.

The corporation is one of the principal manufacturers in the United States of shoe machinery in that branch of the industry which is commonly referred to as the "cement shoe machinery industry."

In addition to Loewi & Co., the underwriters are: Bell & Farrell, Inc.; H. M. Byllesby & Co. (Inc.); Francis I. du Pont & Co.; A. G. Edwards & Sons; Shearson, Hammill & Co.; Straus, Blosser & McDowell and G. H. Walker & Co.

Now With White-Phillips

(Special to The Financial Chronicle)

DAVENPORT, Iowa — Carl A. Liebscher has joined the staff of White-Phillips Company, Inc., First National Building.

With FIF Management

(Special to The Financial Chronicle)

BATON ROUGE, La. — Lorenzo T. Marion has become connected with FIF Management Corporation.

Now With Elmer Bright

(Special to The Financial Chronicle)

BOSTON, Mass. — Thomas J. McAuliffe has become associated with Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

Commodity Fund Reports

Futures, Inc. reports for the fiscal year ended Sept. 30, 1954 total assets of $101,576, which were equal to $3.39 per share. For the previous fiscal year, total assets amounted to $43,679 and asset value per share was $1.65.

The commodity mutual fund, which is not an investment company, had earnings of $49,133 for the recent fiscal year, and a 10c per share profit distribution was paid in September, Richard D. Donchian, President, reported to shareholders.

"During the past year, Futures, Inc. has converted into net profits moves on both sides of the market—up and down," Mr. Donchian said. The five best commodities, it was reported, in order of profitability, were coffee, cocoa, onions, lard and wheat.

Continued from page 3

Service Operations in The Electronics Industry

ing communications all over the world.

Manufacturing Operations Abroad

Our manufacturing operations outside of the United States are, of course, a reflection of national aims in the various countries and a desire on our part to seek profitable opportunity for our products and service.

RCA has 11 associated companies outside of this country that employ 7,000 persons: in Argentina, Australia, Brazil, Canada, Chile, England, Greece, India, Italy, Mexico and Spain.

During the past year, RCA Victor Ltd., of Canada, opened a new plant at Prescott, Ontario, for production of television sets and radio receivers. A phonograph record manufacturing plant was put into operation at Smith Falls, Ontario, and distributing warehouses were opened in Toronto, Vancouver and Winnipeg. Plants operated by companies associated with RCA are producing phonograph records in Rome, Italy, and Madrid, Spain, and many motion picture theatres in India, Panama and Puerto Rico are using RCA stereophonic sound equipment.

Now I would like to discuss the subject of Service and point out its growing importance to the manufacturer and to consumer acceptance of products.

Servicing, in my opinion, is a subject that has not been given its due importance in most industrial analyses. Today, however, industrialists are paying more and more attention to its role in successful manufacturing and merchandising. Service with a capital "S" has become a vital building block in the foundation of American business.

Comparatively little service was needed for horse-and-buggy owners, but with the coming of the Automobile Age, followed by the Age of Electrification with electric refrigerators, appliances and a multitude of labor-saving devices, the consumer demanded more service. Came the gas station and the garage, the electrical repair shop and the maintenance man; and then came the radio repairman and television technician.

Would the automobile have developed into a $45 billion industry if owners had been forced to repair and maintain their own cars? Would the electronics industry have made giant strides toward its present $9 billion position if buyers had not known that trained technicians were available to keep their instruments in operating condition?

The answer obviously is "No." The attitude of the manufacturer toward Service was certain to change as he recognized the irresistible changes in life and customs.

Service an Important Facet of Business

Service, therefore, has become an important facet of the nation's business structure. The consumer knows the value and economy of keeping the products of modern science and industry at peak efficiency. When properly organized, service pays its own way. It is a good investment that returns its outlay manifold in many forms.

Some measure of the importance of service to electronics is shown by the fact that today nearly 100,000 service men are employed in the industry, most of whom are in radio and television service for the home. With the expected growth of the electronics industry, more than 125,000 technicians will be needed in 1957.

I know of no merchandiser who is more thoroughly sold on the role of service in making and repeating sales than Frank M. Folsom, President of the Radio Corporation of America. Often he has said:

"In every city in the United States there is a successful business that is a living monument to some man with the simple but fundamental objective of making sure his customers were properly taken care of."

Actually, RCA's service policy is of long standing. From the moment in the mid-twenties when the first piece of apparatus bearing the name RCA came off the assembly line the company assumed a two-fold responsibility. The first was that this apparatus would work properly upon installation; the second was that it should serve a useful life. Out of this basic responsibility for satisfying the customer, the RCA Service Company was born.

Now what are the principal fields in which RCA Service is currently available? To name all of them would require too much time. But here are some of the principal ones: theatre sound and projection; radio and television broadcasting; mobile and microwave communications; electron microscope; beverage inspection and metal detection; industrial sound; electronic heat; room air conditioning; radar, sonar, loran and shoran; ships' radios, and of course, home radio and television receiver installation. These are in addition to our constant and close association with the Armed Forces, wherever they may be stationed, at home and abroad, afloat and ashore.

The millions of service calls made each year by RCA service representatives are an invaluable asset in another way. From the reports received after visits to homes, factories and military bases, RCA executives and engineers are enabled to keep their fingers on the pulse of customer preferences and demands, and in that way, can make more accurate plans for future design and production of electronic products.

The RCA Government Service Division field engineers are under contract with all branches of the Armed Forces and are assigned to all locations where there are Army and Air Force bases. These engineers are engaged in instructing and assisting military personnel in the operation and maintenance of radar, two-way radio communications, sonar, navigation and guided missiles. Hundreds of RCA Government Service engineers are assigned to 26 foreign countries, including 13 which are in the Government's Mutual Defense Assistance Program. RCA field engineers are in Greenland, Thailand, Iran and Korea to mention only a few of the most remote outposts.

Close Liaison with the Military

A typical example of this close liaison with the military is taking place now at the Air Force Missile Test Center at Cocoa, Florida, where more than 700 RCA technicians are maintaining and analyzing electronic guidance apparatus for the latest in Air Force missiles.

Here again, the expansion of the Government Service Division attests to the advance of electronics and the accompanying need for service. When this Division was set up in 1950, its personnel numbered only 37; today, about 2,000.

Service facilities must sometimes be organized with a long range view, administered with little chance of immediate returns. Color TV is an outstanding example of this situation. A full year before a color set reached the consumer market, RCA had trained a group of technical specialists to act as instructors to service men throughout the country. An elaborate series of lecture clinics was arranged in the principal television areas. Up to the present, 120,000 technicians, dealers, and others, including the personnel of competitors, have attended these free symposia. In this way, by making available the experience and technical know-how it has accumulated over the years, we believe that RCA has rendered an outstanding service to the television industry.

In 1946, when television emerged from behind the curtain of war to begin its phenomenal growth, the industry's return for servicing home television and radio sets was less than $145 million, not including the cost of parts. Four years later, in 1950, comparable costs had increased to $710 million. In 1953, the total was $1.4 billion and by the end of 1957, this part of the electronics industry will contribute $2.7 billion annually to the national economy for the home installation and maintenance. In other words, during the next four years, from Jan. 1, 1954 to Jan. 1, 1958, the industry's gross income from this service will have almost doubled.

With these figures in hand, it is only natural that they should be compared with the overall volume of business produced by the electronics industry. Total annual sales of this industry grew from $1.6 billion in 1946 to $8.4 billion in 1953. Thus, in 1953, service was responsible for 16.4% of electronic industry sales. This is almost as much as the total sales of all electronic products, to both consumers and the government, in 1946. As the use of electronic apparatus increases with automation and the application of electronic controls to industry, plus the spread of television service, the sales of service will increase accordingly.

Production and Sales in 1954

The industry figures which I have given you up to this point have been, in the main, those derived from the long-range view. Now you may wonder how 1954's actual production and sales are standing up to the forecasts?

Recently, the Radio Electronics Television Manufacturers Association published its estimates for the industry as a whole for this same period. And the word is GOOD! Of television sets, the industry produced 4,700,000 units, with the final week of the period responsible for 199,173 units, the fourth highest weekly total in the entire history of television. Factory sales accounted for 4,746,000, slightly more than production. Retail sales are estimated at 4,650,000—about 8% over last year. Industry inventories at all levels are substantially less than last year and are considered satisfactory.

The last quarter is continuing the nine months trend. In the last week of October, the industry set a new all-time record by turning out 238,298 TV sets, a gain of 10,000 units over the preceding week.

With less than six weeks to go, it seems to be certain that television sets sold to the consumer in 1954 will reach the 7,000,000 mark, to set a new high for the industry.

Radio sets, which made a slow start early in 1954 have since improved in production and sales. Including auto sets, manufacturers produced 7,000,000 units up to Oct. 1, compared to 8,000,000 units in the same period of 1953.

So much for the present: what of the future? What looms in the offing as possibilities of new products that will strengthen the industry?

Electronics Is Core of Automation

Undoubtedly, you have frequently encountered the word "Automation." You will hear more of this trend of industry to conceive, design and build the automatic factory — automatic to a great extent from raw material to finished product. We have not yet arrived at the latter state but we are making good progress, for electronics is the core of "Automation," and the electron is one of the world's most versatile and flexible tools.

We are succeeding through electronic controls and automation is speeding up the progress of industry and, by so doing, is reducing the time lag that heretofore has slowed up the conversion of raw materials into finished goods. This increased impetus of production also has made it possible materially to reduce the costs to the ultimate consumer. By taking the developments of scientists and engineers and merchandising them with modern, efficient methods we have contributed substantially to the nation's economy.

Although this record of achievement is outstanding, the promise of the electronics industry in the future is even brighter. One of the most impressive long-range views was expressed a short time ago by Brig.-Gen. David Sarnoff, Chairman of the Board of RCA, who said:

"Whatever the size of the electronics, television and radio business seven years hence may be, I am sure that more than 50% of the volume will be in products and services that do not exist today."

That is a preview that will bear remembering as you study the trends of an industry the future of which is fascinating in its possibilities for inventions that will lead to new products and new services—in fact, to new industries!

Continued from page 4

The State of Trade and Industry

and truck output at 130,410 units, compared to 155,960 a week ago and 69,204 in the corresponding 1953 work period.

The short holiday breather found Saturday schedules in effect at all Ford Motor Co. plants, following a similar work program a week earlier. In that period Ford Division recorded a new postwar high in weekly car and truck production at 41,540. Virtually all Chrysler Corp. facilities, some Chevrolet factories and Studebaker had Saturday programs set for Nov. 27.

The overtime operations at Chrysler Corp. finds all the car divisions setting new 1954 monthly highs in November, with even stronger schedules on the docket for December. Plymouth will assume its historical third-place slot in car production for November.

The Nov. 22-27 car assembly dipped 16.2% under the earlier work week, while truck erecting dropped some 17.8% under the prior week. Nevertheless the respective tallies were 114% and 7% above production reached in the same 1953 weekly period.

The outlook is for approximately 501,700 cars and 89,600 trucks in November, compared to only 236,627 and 64,131 in October. In same month of 1953, the industry built 361,815 cars and 76,228 trucks, states "Ward's."

Cumulative 1954 production, meantime, is estimated at 4,814,-180 cars and 922,064 trucks, or 15.6% and 16.3%, respectively, behind like 1953.

The picture, declares this trade weekly, is not as dismal as it seems for car volume is expected to reach the year's peak level in December. As it is, Cadillac, Ford and Oldsmobile have already produced more cars than they did in entire 1953 and the 1954 deficit in output from a year ago will be sharply trimmed in the closing month of this year.

Canadian manufacture also showed sparks of revival last week as vehicle production edged upward 11% over the Nov. 15-20 total. The sharpest gain was in car assembly, while truck erecting held to the previous week's pace.

Business failures in October rose moderately from the prior month when they were at the lowest level of the year. The October total of 819 casualties was 4% above a year ago and the highest for any October since 1940.

The failure rate dipped in October to 42 failures per 10,000 businesses listed in the "Dun & Bradstreet Reference Book" from 44 in the preceding month, which was a postwar high, according to "Dun's Failure Index" which extends monthly mortality to an annual basis and adjusts for seasonal fluctuations. While failures occurred at a slightly higher rate than in October 1953 when 39 per 10,000 were recorded, they were far below the 67 in October 1940.

Of the month's total casualties, 21% were concerns which began operations in 1953 and 7% were started in 1954. In all, 60% of failures were businesses less than five years old.

Failures rose moderately in October in all industry and trade groups except wholesaling. Most of the manufacturing upturn was centered in three industries: food, textiles-apparel and lumber-furniture. Failures of food retailers were the highest since March but apparel store failures were at the lowest level in 11 months. Compared with a year ago, more businesses failed in all groups except commercial service.

Almost no change appeared in the total failures in the 25 largest cities, while the toll in the rest of the country turned up 10% from September. There was a moderate rise in New York City failures but Los Angeles casualties were the lightest in a year.

Steel Output Scheduled at Higher Level in Current Week

The upturn in steel output means better business for everybody, says "Steel," the weekly magazine of metalworking, the current week.

Every time the steel industry makes and sells a million tons of finished steel, some 5,000,000 tons of freight must be hauled to and from the steel mills.

Consider that 7,800,000 tons of finished steel consumed this year came from inventory, and you can see that if steel usage remains steady the mills will have to turn out 7,800,000 more tons next year than they did this year. That means freight haulage to and from the steel mills would rise 40,000,000 tons next year over this year, continues this trade magazine.

This perhaps would encourage the railroads to come back into the market for materials. The railroads have been especially hard hit by the postwar transition in the economy, and they have cut

down sharply on their purchases of rails, freight cars and other equipment.

To anyone who thinks the steel ingot production rate should be up around 100% like it was early last year, Mr. Fairless wants to point out that steel plants were never intended or designed to operate at 100%. "Historically, the industry has always sought to maintain a substantial reserve of capacity for use in times of great national emergency, and at such times it has been able to run at 100% only by resorting to the uneconomic use of marginal facilities, materials and manpower," he explains. "Even during World War II, when it was breaking its neck to produce every pound of steel that it could, the average operating rate for the industry was just 94% of capacity. And the average annual production was 86,000,000 ingot tons, which is almost exactly the same amount as the industry expects to turn out this year," Mr. Fairless points out.

The upturn in steel demand is spreading among products. At first, the revival was centered in cold-rolled sheets, but now it's noticed in steel bars. The pickup stems chiefly from the automotive industry, but other consuming groups are contributing too.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 80.5% of capacity for the week beginning Nov. 29, 1954, equivalent to 1,919,000 tons of ingots and steel for castings as compared with 80.3% (revised) and 1,915,000 tons a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 76.4% and production 1,822,000 tons. A year ago the actual weekly production was placed at 1,972,000 tons or 87.5%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,473 tons as of Jan. 1, 1953.

Electric Output Declines in Thanksgiving Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 27, 1954, was estimated at 9,087,000,000 kwh., according to the Edison Electric Institute.

This represented a decline of 230,000,000 kwh. below that of the previous week but an increase of 949,000,000 kwh., or 11.7% over the comparable 1953 week and 1,386,000,000 kwh. over the like week in 1952.

Car Loadings Fall 1.6% Below Prior Week

Loadings of revenue freight for the week ended Nov. 20, 1954, decreased 11,411 cars or 1.6% below the preceding week, according to the Association of American Railroads.

Loadings totaled 697,346 cars, a decrease of 28,386 cars or 3.9% below the corresponding 1953 week, and a decrease of 113,727 cars or 14% below the corresponding week in 1952.

U. S. Auto Output Declines 16% in Past Week Due to Thanksgiving Festivities

The automobile industry for the latest week, ended Nov. 26, 1954, according to "Ward's Automotive Reports," assembled an estimated 112,282 cars, compared with 133,917 (revised) in the previous week. The past week's production total of cars and trucks amounted to 130,410 units, a decrease below the preceding week's output of 25,550 units or 16% due to the Thanksgiving holiday, states "Ward's." In the like week of 1953 69,204 units were turned out.

Last week, the agency reported there were 18,128 trucks made in this country, as against 22,043 (revised) in the previous week and 16,927 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 3,860 cars and 733 trucks last week, against 3,408 cars and 729 trucks in the preceding week and 3,850 cars and 1,216 trucks in the comparable 1953 week.

Business Failures Rise Moderately in Holiday Week and Greatly Exceed One Year Ago

Commercial and industrial failures rose to 226 in the week ended Nov. 25 from 208 in the preceding week, according to Dun & Bradstreet, Inc. Despite the holiday-shortened week, casualties were considerably heavier than last year when 173 occurred or in 1952 when the toll was 127. Compared with the prewar level, however, mortality remained 10% below the 252 recorded in the similar week of 1939.

Failures with liabilities of $5,000 or more increased slightly to 185 from 177 a week ago and exceeded the 144 of this size occurring in the comparable week of last year. An upturn also took place among small casualties, those involving liabilities under $5,000; it lifted their toll to 41 from 31 in the previous week and 29 a year ago. Seventeen concerns failed with liabilities in excess of $100,000, as against 15 in the preceding week.

Wholesale Food Price Index Registers First Decline in Five Week Period

Marking the first downward movement in five weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped to $6.85 on Nov. 23, from $6.88 a week earlier. The current figure compares with $6.53 on the like date a year ago, or an increase of 4.9%.

Higher in wholesale cost last week were wheat, corn, rye, butter, cottonseed oil, tea and steers. On the down side were flour, oats, jellies, lard, sugar, cocoa, eggs, potatoes, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Average Turned Easier in Past Week

Reversing the uptrend of previous weeks, the daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., moved slightly lower last week. The index closed at 277.77 on Nov. 23, comparing with 279.15 a week earlier, and with 274.28 on the corresponding date last year.

Movements in grains continued irregular. Wheat made further gains price-wise with all future deliveries touching new highs for the season.

Chief strengthening influences in the bread cereal were reports that the Government is getting rid of some of its burdensome supplies, a growing apprehension over the continuing dryness in many sections of the Winter wheat belt and the fact that a large part of this year's crop has already been impounded under the Government loan. Corn displayed early firmness but developed some weakness in late dealings. Primary market receipts of corn totalled 14,500,000 bushels for the week, against 10,900,000 the previous week, and 11,300,000 a year ago. Oats worked lower for the week, while rye and barley finished slightly higher. Trading in all grain and soybean futures on the Chicago Board of Trade two weeks ago averaged 55,900,000 bushels per day, against 56,800,000 a week earlier, and 63,300,000 during the same week last year.

There was some activity in hard Winter wheat bakery flours the week before last although buying generally remained on a hand-to-mouth basis despite some price recessions from recently established seasonal highs. Some export business in flour took place around mid-week. Demand for tea was active with replacement prices in the New York market continuing to work upward. Green coffee prices were stronger the past week reflecting a seasonal increase in demand.

Many roasters who had allowed their stocks to run down were forced to pay premiums to cover their needs in the spot market. A rise of 3 cents a pound at the wholesale level was announced by one large coffee distributor.

Trends in cocoa were mixed. The market declined early as the result of profit-taking influenced by weakness in London and slow manufacturer interest in spot supplies. A firmer tone developed in closing sessions aided by reports of sales by the British Cocoa Marketing Board at rising prices. Lard met with considerable selling pressure and prices moved sharply lower

Spot cotton prices moved in a narrow trading range and finished slightly lower for the week. Profit-taking and persistent hedging contributed to some weakness but this was offset by price-fixing and short covering stimulated by the increased movement of cotton into the Government loan. Reported sales in the 14 markets increased sharply to 518,700 bales, from 376,200 in the previous week. Daily average use of cotton during October, according to the Census Bureau, was 35,777 bales, against 33,278 in September and 35,177 in October 1953.

Trade Volume Stimulated by Early Christmas Buying and Price Reduction Sales Rose Slightly the Past Week

Widespread reduced-price sales and earlier Christmas shopping than last year characterized retail trade in the period ended on Wednesday of last week. The total retail volume was slightly above the prior week and the comparable time last year. The decline of downtown business and growth of both suburban buying and mail order activity was highlighted by several recent events.

Wanamakers is closing its main New York store; one retail establishment in Salt Lake City has opened a large new multifloored downtown parking area to try to draw shoppers into the city and Montgomery Ward announced the past week that it will close several of its retail stores at the end of the year.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 1% below to 3% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: Pacific Coast 0 to —4; Midwest and Northwest —2 to +2; East and South 0 to +4 and New England and Southwest +1 to +5.

Gift buying increased last week, and the holiday season was underway in most cities. Women's better dresses, lingerie and millinery sold well, as did men's wear, with sports clothes, shirts and slacks being particularly popular.

Automobile sales increased, although some dealers were dissatisfied with the below-list-price selling of new models which seems to be spreading.

Seasonal factors were largely responsible for a level of wholesale trade slightly above both the previous week and the corresponding period of last year. A favorable yearly comparison was also helped by the fact that inventory cutting was taking place at this time in 1953, while stocks appeared to be currently gaining.

There were several important developments regarding fair-trade the past week.

The General Electric Company announced that it has abandoned its practice of recommending retail prices for most of its major appliances, but the company expects distributors to suggest list prices in particular areas.

Certain smaller appliances will carry a list price. Several large department stores have recently opened reduced-price departments to compete with discount operations and some stores are disregarding fair-trade practices. It was announced that many wholesale groups and processors within the food industry will join with retailers and producers to work for passage and enforcement of state laws in 1955 to ban loss-leader sales in those states where they are now legal. Below list-price selling has recently made marked gains in California.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 20, 1954, increased 2% above the like period last year. In the preceding week, Nov. 13, 1954, a decrease of 2% was registered below that of the similar period in 1953, while for the four weeks ended Nov. 20, 1954, a gain of 2% was noted. For the period Jan. 1 to Nov. 20, 1954, a loss of 2% was registered from that of the 1953 period.

Retail trade volume in New York City the past week, according to trade observers, will exceed that of the similar period in 1953 by 2% to 3% as a result of good weather early in the week.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 20, 1954, registered an increase of 5% above the like period of last year. In the preceding week, Nov. 13, 1954, a decrease of 3% was reported from that of the similar week in 1953, while for the four weeks ended Nov. 20, 1954, an increase of 4% was reported. For the period Jan. 1 to Nov. 20, 1954, the index advanced 1% from that of the 1953 period.

Halsey, Stuart Group Offers Laclede Gas 3¼% 1st Mtge Bonds

Halsey, Stuart & Co. Inc. heads a group offering $15,000,000 Laclede Gas Co. first mortgage bonds, 3¼% series due Dec. 1, 1979, at 102% and accrued interest, to yield approximately 3.13%. Award of the issue was won by the group at competitive sale yesterday (Dec. 1) on a bid of 101.3522%.

Net proceeds from the financing will be applied to the redemption of all of the $6,050,000 principal amount of the company's first mortgage bonds 3½% series due Dec. 1, 1965, and of all of the $8,000,000 principal amount of its first mortgage bonds 3¾% series due April 1, 1976. The balance of the proceeds will be added to working capital to be subsequently used for construction purposes.

The new bonds will be subject to redemption at general redemption prices ranging from 105% to par, and at special redemption prices running from 102% to par, plus accrued interest in each case.

Laclede Gas Co. is an operating gas utility engaged in the distribution and sale of natural gas throughout the entire 61 square mile area of the City of St. Louis and approximately 125 square miles of the adjacent suburban areas in St. Louis County, the remaining 369 square miles of which are largely rural. Incidental to its business of distributing gas, the company services sells and installs gas appliances.

For the year 1953, the company had operating revenues of $32,566,708 and net income of $3,215,812. In a report for the 12 months ended June 30, 1954, the company showed operating revenues of $36,386,803 and net income of $2,712,419.

Federal Paper Board Common Stock Offered

Goldman, Sachs & Co. is heading a nationwide group of underwriters which is offering 200,000 shares of Federal Paper Board Co. Inc. common stock to the public at a price of $36 per share. These shares are being sold by certain stockholders, and do not represent company financing. The company has announced that it intends to make application to list its common stock on the New York Stock Exchange.

Federal Paper Board Co. is the third largest manufacturer in the nation of folding boxboard which it and its customers fabricate into a wide variety of folding cartons used in packaging for consumer sale such everyday articles as foods, soaps, tobacco, drugs, tissues, and numerous other items. Folding carton sales have increased from approximately 22% of consolidated sales in 1948 to approximately 63% in the first 40 weeks of 1954.

Joins Harris, Upham

(Special to The Financial Chronicle)

Walter H. Eucker is now affiliated with Harris, Upham & Co., 135 South La Salle Street.

Francis I. du Pont Adds

(Special to The Financial Chronicle)

OMAHA, Neb.—David P. Greer has been added to the staff of Francis I. du Pont & Company, Omaha Grain Exchange.

Remmele-Johannes Adds

(Special to The Financial Chronicle)

DAYTON, Ohio — Edward S. Hadfield is now with Remmele-Johannes & Co., 1126 Oakwood Avenue.

Continued from page 13

Our Gigantic Government Payroll

that we have experienced during the last fifteen.

Because of the very size and scope of the Federal personnel system — and big government is here to stay—any effective personnel management program must necessarily be decentralized. As all of you so well know—and it makes no difference whether we are speaking in terms of business or government—with this kind of approach it is necessary to have trained and responsible administrators to whom the central authority can be delegated. Secondly, there must be a clearly defined framework of policy within which the component parts are going to operate. Thirdly, there must be a control system to inspect and audit, both to see that operations are kept within the policy framework and to see that the taxpayer is getting his money's worth out of the system; and finally, of course, there must be adequate funds to carry out the program.

Replacement Training Needed

A program of this size not only takes many competent and trained administrative officers on all levels, it also calls for an effective program for the training of replacements. Five years of experience has been far too short either to have all the trained administrators you need or even to make a real start on the training of replacements.

For the first time, steps are being taken today to develop a framework of personnel policy. This has only been made possible by having a personnel policy office as a part of the Executive Office of the President. The President himself has given leadership to the formulation of a government-wide personnel program by designating the Chairman of the Civil Service Commission as his adviser on personnel management and in directing him to take the necessary steps to develop and improve personnel management in the government service.

Of course, the need for a control or inspection system—a policing type of operation—fluctuates with the quality and efficiency of your decentralized administrators. To date, too much emphasis has been placed upon the inspection functions and not enough on the training functions. The headaches of policing can largely be eliminated by the recruitment and development of able and competent administrators.

Underlying all of these is the need for a public education program so that the Federal Government service and the people that make it up will become respected by the American citizen and not made the butt of his jokes.

Public confidence in our public servants will do more for the establishment and maintenance of a prestige career service than any single factor. In the last analysis, it is the only thing that will preserve the Federal service from the encroachment of politics and from the hiring of incompetents. A spoils system could not be initiated today on any large scale even if anyone wanted it, because of the very size of the government operation and the fact that its operations are so complex and so vital to the functioning of this country, and even to that of the free world, that to disturb it in any serious way could be a calamity of the greatest magnitude.

By this I do not mean that a political party in power should not control the governmental machinery. As long as we have our two-party system of government the voting citizenry of this country must be in a position to elect the candidates of its choice and to see that they carry out the policies and platforms on which they were elected. This is a far different problem from that of patronage used in the popular sense or the spoils system. It is a basic ingredient of free, democratic government as we have developed it in this Republic and which we are striving so anxiously to preserve.

Political Distinction Needed

This points up the second basic factor that we have been dealing with over the last 18 months: The need for a much clearer distinction between the area of political appointments and the career service.

President Eisenhower clearly recognized the fact that legitimate political appointments which would control governmental machinery and policies of the Administration had to be made, while, at the same time, career public servants in continuing jobs of a non-policy nature had to be protected from unwarranted political pressures. The President also realized that it was vital to an efficient and effectively functioning government for the political appointees and the career servants not only to work closely together, but to appreciate both the capabilities and the limitations of each other. Those holding political appointments are definitely political officers whose job is to carry out the political policies of the Administration. It is the duty and responsibility of those in the career service to see that the political policies of the Administration in power are applied fairly and vigorously throughout the governmental machinery.

Any career servant who plays politics in his job, whether they be personal or party, is not fulfilling his responsibility as a public servant and is doing a disservice not only to himself but to the government and to the American people. There is no room for such disloyal persons in the government service, and so far as I am concerned, I would press every opportunity to effect their removal if the facts should so warrant. The provisions of the Hatch Act are designed to prevent government employees from engaging in active partisan political activity while they are public servants. The same approach and concept and principles apply to those career persons who are entrusted by the American people with carrying out the day-to-day functioning of their government.

I commend those hundreds of thousands of loyal, nonpartisan career employees who are doing their jobs quietly and effectively. They should not be stigmatized by the defection of a few.

The major step taken by the Eisenhower Administration towards making a clearer-cut distinction between the area of political appointments and the career service was the establishment of Schedule C. All jobs of a policy-forming nature, or tied to policy formulation in some confidential relationship, were to be placed in Schedule C. This has had the net effect not only of helping to define the career service area, but has been of definite value to career employees in putting them on notice when they were asked to take positions or to perform functions falling in the political category.

As of Sept. 28, 1,126 positions had been approved for Schedule C and 962 had been disapproved. As a sidelight on all the comments that have been made publicly and privately for and against patronage and for and against the capabilities of the career servant, it is interesting to note that 47% of all Schedule C positions filled are still occupied by persons who were on the Federal payroll prior to this Administration. Of the total Schedule C positions approved, only 24% were positions taken from the competitive service, 50% were positions formerly in Schedules A and B, and 26% represent new positions.

Our Schedule C experience has been valuable in pointing up the difficulties involved in attempting to define the career service. It also raises the very serious question as to how you can have a career service unless you can also designate those top permanent career positions to which every employee can hope to aspire. This is one of the problem areas in which our discussions over the next few days will be most helpful.

At the same time that this Administration has been working on this problem of definition, it has also devoted tremendous effort towards developing those basic elements which are necessary and vital components of any true career service. The accomplishments of the last Congress in the field of personnel legislation are examples of the great success achieved. This Congress has probably accomplished more for Federal personnel and for the development of a career system than any other single Congress in history. I will not repeat here all of the detailed enactments except to say that I urge you to note the provisions of the so-called Fringe Benefits Bill, the extension of unemployment compensation, and the group life insurance program. In addition to the legislative accomplishments many other things have been done by administrative action, such as the correction by Executive order of the loss of civil-service status through past administrative error, new and improved entrance standards for persons entering the service, and the establishment of the Employee Security Program.

The provision in the Fringe Benefits Bill modifying the Whitten Amendment has made it possible to promulgate a new permanent appointment system. This was necessary before the first real step could be taken toward establishing a continuing career service. The Civil Service Commission has now proposed a new basic appointment system which not only will clean up the highly unsatisfactory situation left from the war period but will also provide for the protection of career employees against sudden fluctuations of employment in the future.

The new system will recognize that not all those who accept government employment intend to spend their working lives in it. It will also recognize that the government may not have permanent, continuing jobs for all those who may be needed at a given time, for example, a time of acute emergency. And also this plan will distinguish between those who get their jobs through the regular civil-service examining system, and those who are hired without competition. We propose for each new employee appointed through the competitive civil-service process a three-year period during which he will be in a so-called "career-conditional" status. If, at the end of the three years, the employee remains with the government, he will pass into the career group and will have a top claim on continued employment. The plan will work in the same way for employees now on the rolls.

Career Status Significant

We believe that the attainment of career status at the end of a three-year period will be a significant matter for the employee and for the government. It will afford the employee the top job security available to him under any system we might devise. And it will provide for government an added assurance that the employee will not quit his job and make necessary the time and expense of hiring and training a replacement.

Now that Congress has expressed its will in this matter, we are going ahead with our plans to develop the best appointment system that can be devised along these lines. We know that we are moving in the right direction, and that an ideal of a so-called hard core of career employees is a necessary factor in employee satisfaction and orderly and efficient government.

Three areas on which various proposals have been made and on which there has been no action as yet have to do with pay, a group medical and hospital insurance program for Federal employees, and the proposals on retirement and its relationship to social security in the so-called Kaplan report. All of these will receive great attention in the next Congress.

Perhaps the subject of pay is the most volatile, for the issues involved become so clouded by politics and emotionalism. At the last session, the Administration advanced certain proposals for pay increases in the postal field service, for a reclassification program within that service, and for an increase in postal rates. The Administration also submitted to the Congress specific proposals for the revision of the pay scales of the Classification Act. In my testimony before the Congressional Committees on these proposals I emphasized that a start must be made toward correcting the distortions and inequities that had come about by the process of almost flat across-the-board pay increases in the past. Differences in the levels of importance and difficulty of positions should be reflected in differences in pay; otherwise the basic principle of a true career system is violated. Incentive for career advancement and the assumption of higher-grade duties and responsibilities in a career system results from the possibility of greater personal rewards — including additional pay. Where the difference in pay between the supervisor and those he supervises becomes too small, then a true career service is threatened.

The principles I have referred to were not reflected in the pay bill passed by the Congress during the closing hours of the session, which the President rightfully felt had to be disapproved. In announcing his veto, the President said: "Unfortunately, the general pay increase proposed by this bill ignores and therefore tends to perpetuate the inequities we must correct."

Administration proposals will be resubmitted to the next Congress dealing with this area, while at the same time further study will be given to the long-range proposals involved in the whole Federal pay structure which is now composed of something over 30 pay systems.

Congress Should Raise Own Salaries

It is vital that Congress review again the legislative pay scale, as to all practical intents and purposes it establishes a ceiling for the pay scales of the Executive branch. I see no possibility of securing anything like adequate compensation for responsible career government employees unless Congress sees fit to raise its own salaries.

Of course, there are many other elements which will have to be dealt with in developing a continuing permanent career service. A major one would be the need for transferability and flexibility between the many different personnel systems in the government service. Much is being done in studying this proposal. For example: A very penetrating, broad-scale survey is now almost complete with respect to overseas personnel and the need for an orderly, organized foreign-affairs personnel system.

Other projects currently under way are aimed at the simplification of RIF procedures, the development of an orderly promotion program on the basis of merit, an effective performance rating system, training and recruitment programs, and coordination of wage-board activities, to say nothing of all of the ramifications of the basic new appointment system already announced by the Civil Service Commission. We could spend an evening or two on any one of these and still need more time for discussion. Most of them will be talked about during the next few days.

In closing, I would like to return to one basic approach which underlies all of our discussion: That is, the need for responsible leadership. In my opinion it is vital for the President to assume the responsibility — as President Eisenhower has done—for developing an over-all Federal personnel policy and, in conjunction with the heads of departments and agencies and the Congress, to carry it out as quickly and as effectively as possible.

The Civil Service Commission, because of the way in which it is constituted and its position in the government hierarchy, cannot be effective in this respect.

The formulation and direction of personnel policy should emanate from the White House and carry the same force and effect as the formulation and establishment of fiscal and budget policy. Only on this way can an over-all policy which will transcend system lines be established and the co-operation of all the departments and agencies be assured. The need for sharply focusing leadership responsibility at a central point of coordinated direction is paramount. Any attempt to establish a true career system without taking this into account can, at best, be only a piecemeal operation.

The Federal civilian payroll today, representing, for the executive branch, more than $9 billion, is a large part of our national budget. An expenditure of this size merits the most thoughtful attention of every American citizen. Every citizen must be concerned with the efficient functioning of our government, not only in terms of the policies and practices of the executive branch, but in terms of the actions taken by his own Senators and Congressmen.

I urge that everything possible be done to provide the President with constructive ideas and with the tools that he needs to establish a public service which will command the continuing respect of the American people.

Pearson With First Calif.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Harold A. Pearson has become affiliated with First California Company, 9659 Santa Monica Boulevard. He was formerly with Lloyd Arnold & Company and Walston, Hoffman & Goodwin. Prior thereto he conducted his own investment business in San Francisco.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — David M. Shayne has become associated with Francis I. du Pont & Co., 9640 Santa Monica Boulevard. He was formerly with Hemphill, Noyes & Co. and prior thereto with Cantor, Fitzgerald & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 5	§80.5	*80.3	76.4	87.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 5	§1,919,000	*1,915,000	1,822,000	1,972,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 19	6,264,950	6,220,150	6,174,450	6,259,150
Crude runs to stills—daily average (bbls.)	Nov. 19	¶7,016,000	6,883,000	6,928,000	7,066,000
Gasoline output (bbls.)	Nov. 19	23,525,600	24,161,000	23,418,000	24,115,000
Kerosene output (bbls.)	Nov. 19	2,485,000	2,197,000	2,145,000	2,169,000
Distillate fuel oil output (bbls.)	Nov. 19	11,121,000	11,409,000	10,950,000	10,533,000
Residual fuel oil output (bbls.)	Nov. 19	8,027,000	7,850,000	7,420,000	8,253,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 19	142,224,000	147,896,000	149,834,000	143,054,000
Kerosene (bbls.) at	Nov. 19	36,155,000	36,775,000	38,374,000	35,449,000
Distillate fuel oil (bbls.) at	Nov. 19	135,353,000	136,159,000	135,437,000	133,160,000
Residual fuel oil (bbls.) at	Nov. 19	55,872,000	56,068,000	56,475,000	50,494,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 20	697,346	708,757	746,007	725,732
Revenue freight received from connections (no. of cars)	Nov. 20	611,782	616,777	623,410	632,300
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 25	$254,172,000	$301,779,000	$220,233,000	$145,096,000
Private construction	Nov. 25	164,510,000	182,534,000	113,112,000	92,246,000
Public construction	Nov. 25	89,662,000	119,245,000	107,121,000	52,850,000
State and municipal	Nov. 25	75,967,000	78,547,000	99,951,000	44,334,000
Federal	Nov. 25	13,695,000	40,698,000	7,170,000	8,516,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 20	8,900,000	*8,765,000	8,885,000	8,978,000
Pennsylvania anthracite (tons)	Nov. 20	625,000	624,000	507,000	606,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 20	134	130	123	131
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 27	9,087,000	9,317,000	9,152,000	8,132,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 25	226	208	223	173
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 23	4.797c	4.797c	4.798c	4.632c
Pig iron (per gross ton)	Nov. 23	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Nov. 23	$32.83	$33.83	$33.33	$34.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 24	29.700c	29.700c	29.700c	29.700c
Export refinery at	Nov. 24	31.775c	31.700c	31.300c	29.025c
Straits tin (New York) at	Nov. 24	90.875c	92.250c	92.875c	86.250c
Lead (New York) at	Nov. 24	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Nov. 24	14.800c	14.800c	14.800c	[illegible]
Zinc (East St. Louis) at	Nov. 24	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 30	99.04	99.31	99.72	94.93
Average corporate	Nov. 30	110.70	110.88	110.70	105.86
Aaa	Nov. 30	115.24	115.43	115.43	110.70
Aa	Nov. 30	112.37	112.75	112.37	107.80
A	Nov. 30	110.70	110.70	110.52	105.69
Baa	Nov. 30	105.00	105.00	104.83	100.00
Railroad Group	Nov. 30	109.06	109.24	109.06	103.47
Public Utilities Group	Nov. 30	111.25	111.25	111.07	106.21
Industrials Group	Nov. 30	112.00	112.19	112.00	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 30	2.57	2.55	2.52	2.86
Average corporate	Nov. 30	3.13	3.12	3.13	3.40
Aaa	Nov. 30	2.89	2.88	2.88	3.13
Aa	Nov. 30	3.04	3.02	3.04	3.29
A	Nov. 30	3.13	3.13	3.14	3.41
Baa	Nov. 30	3.45	3.45	3.46	3.75
Railroad Group	Nov. 30	3.22	3.21	3.22	3.54
Public Utilities Group	Nov. 30	3.10	3.10	3.11	3.38
Industrials Group	Nov. 30	3.06	3.05	3.06	3.27
MOODY'S COMMODITY INDEX	Nov. 30	410.0	409.8	407.2	405.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 20	214,944	247,513	225,539	193,817
Production (tons)	Nov. 20	257,143	258,396	258,055	252,244
Percentage of activity	Nov. 20	94	94	93	95
Unfilled orders (tons) at end of period	Nov. 20	389,624	433,268	394,122	421,728
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 26	106.43	106.48	106.27	106.41
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Nov. 13	1,287,125	977,420	964,681	565,365
Dollar value	Nov. 13	$62,232,710	$47,336,781	$46,244,406	$25,189,730
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Nov. 13	1,412,954	918,562	923,778	556,192
Customers' short sales	Nov. 13	9,383	10,158	8,132	5,729
Customers' other sales	Nov. 13	1,403,571	908,404	915,646	550,463
Dollar value	Nov. 13	$62,265,089	$41,411,831	$41,816,541	$21,455,005
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 13	464,100	255,970	318,150	184,710
Short sales	Nov. 13	------	------	------	------
Other sales	Nov. 13	464,100	255,970	318,150	184,710
Round-lot purchases by dealers—					
Number of shares	Nov. 13	380,050	361,530	321,350	190,780
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Nov. 6	540,980	413,370	396,350	255,460
Other sales	Nov. 6	10,399,490	10,460,430	10,991,770	6,224,480
Total sales	Nov. 6	10,940,470	10,873,800	11,388,120	6,479,940
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 6	1,384,260	1,181,360	1,212,470	668,950
Short sales	Nov. 6	300,030	207,320	201,530	122,680
Other sales	Nov. 6	1,122,600	990,600	954,030	517,230
Total sales	Nov. 6	1,422,630	1,197,920	1,155,560	639,910
Other transactions initiated on the floor—					
Total purchases	Nov. 6	307,630	343,010	404,660	238,020
Short sales	Nov. 6	31,800	31,400	28,700	10,800
Other sales	Nov. 6	274,960	323,690	344,000	181,550
Total sales	Nov. 6	306,760	355,090	372,700	192,350
Other transactions initiated off the floor—					
Total purchases	Nov. 6	405,385	484,020	474,740	262,330
Short sales	Nov. 6	62,710	53,970	69,430	32,710
Other sales	Nov. 6	401,018	424,355	464,383	224,200
Total sales	Nov. 6	463,728	478,325	533,813	256,910
Total round-lot transactions for account of members—					
Total purchases	Nov. 6	2,097,275	2,008,390	2,091,870	1,169,300
Short sales	Nov. 6	394,540	292,650	299,660	66,190
Other sales	Nov. 6	1,798,578	1,738,645	1,762,413	922,980
Total sales	Nov. 6	2,193,118	2,031,335	2,062,073	1,089,170
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 23	109.5	109.7	109.6	110.0
Farm products	Nov. 23	92.0	93.0	92.6	95.0
Processed foods	Nov. 23	103.2	103.8	103.2	103.8
Meats	Nov. 23	84.1	85.9	84.9	84.8
All commodities other than farm and foods	Nov. 23	114.5	114.5	114.5	114.6

*Revised figure. ¶Includes 696,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$28,337,036	$18,151,734	$27,020,458
Middle Atlantic	64,117,040	80,861,850	99,264,320
South Atlantic	52,924,571	52,603,315	34,015,310
East Central	94,524,725	94,155,074	94,164,738
South Central	94,261,773	101,311,191	55,122,379
West Central	27,805,803	38,129,720	29,289,713
Mountain	23,882,183	21,677,273	14,442,381
Pacific	77,874,895	75,197,331	75,398,061
Total United States	$463,728,026	$482,087,488	$428,717,360
New York City	30,760,116	47,413,380	56,692,401
Outside New York City	432,967,910	434,674,108	372,024,959
BUSINESS INCORPORATION (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	9,852	9,256	8,267
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of October	706,603	815,315	870,616
In consuming establishments as of Oct. 30	1,338,270	1,107,846	1,514,840
In public storage as of Oct. 30	12,756,658	10,894,021	9,459,594
Linters—Consumed month of October	116,517	99,761	123,495
Stocks Oct. 30	2,025,145	1,558,469	1,180,592
Cotton spindles active as of Oct. 30	19,295,000	19,276,000	19,945,000
COTTON GINNING (DEPT. OF COMMERCE)—			
To Nov. 14 (running bales)	11,257,442	------	11,257,442
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Oct. 30	22,601,000	22,720,000	22,926,000
Spinning spindles active on Oct. 30	19,295,000	19,276,000	19,953,000
Active spindle hours (000's omitted) Nov.	9,042,000	10,455,000	11,192,000
Active spindle hours per spindle in place November	457.8	426.7	452.2
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— As of Nov. 1 (in thousands):			
Corn, all (bushels)	2,938,713	2,949,643	3,176,615
Wheat, all (bushels)	959,258	959,258	1,168,536
Winter (bushels)	775,900	775,900	877,511
All spring (bushels)	183,358	183,358	291,025
Durum (bushels)	7,963	7,963	12,967
Other spring (bushels)	175,395	175,395	278,058
Oats (bushels)	1,506,213	1,506,213	1,216,416
Barley (bushels)	367,092	367,092	241,015
Rye (bushels)	23,293	23,293	17,998
Flaxseed (bushels)	39,989	39,989	36,813
Rice (100-pound bags)	58,534	61,755	52,529
Sorghum grain (bushels)	163,354	147,323	109,022
Cotton (bales)	13,206	12,511	16,465
Hay, all (tons)	105,787	105,787	105,300
Hay, wild (tons)	10,874	10,874	12,216
Hay, alfalfa (tons)	48,628	48,628	44,374
Hay, clover and timothy (tons)	27,997	27,997	29,851
Hay, lespedeza (tons)	3,654	3,654	4,129
Beans, dry edible (100-pound bags)	18,357	18,400	18,114
Peas, dry field (100-pound bags)	3,868	3,868	3,350
Soybeans for beans (bushels)	337,990	331,271	262,341
Peanuts (pounds)	1,071,415	1,083,130	1,588,415
Potatoes (bushels)	346,943	345,939	373,711
Sweetpotatoes (bushels)	29,285	28,722	33,974
Tobacco (pounds)	2,156,034	2,153,023	2,057,221
Sugarcane for sugar and seed (tons)	6,883	6,745	7,661
Sugar beets (tons)	13,782	13,829	12,084
Hops (pounds)	43,488	43,488	41,803
Apples, commercial crop (bushels)	103,716	103,011	92,877
Peaches (bushels)	61,252	61,252	64,473
Pears (bushels)	30,327	29,954	29,081
Grapes (tons)	2,705	2,693	2,696
Cherries (12 States) (tons)	192	192	224
Apricots (3 States) (tons)	160	160	243
Cranberries (5 States) (barrels)	974	1,004	1,203
Pecans (pounds)	96,600	91,252	211,660
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of October:			
Sales (average monthly), unadjusted	112	103	*118
Sales (average daily), unadjusted	110	106	*111
Sales (average daily), seasonally adjusted	105	102	*106
Stocks, unadjusted	130	120	*132
Stocks, seasonally adjusted	116	115	*118
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Weekly Earnings—			
All manufacturing	$72.22	$71.86	$72.14
Durable goods	77.97	76.99	77.90
Non-durable goods	65.07	*65.24	63.67
Hours—			
All manufacturing	39.9	39.7	40.3
Durable goods	40.4	40.1	41.0
Non-durable goods	39.2	*39.3	39.3
Hourly Earnings—			
All manufacturing	$1.81	$1.81	$1.79
Durable goods	1.93	1.92	1.90
Non-durable goods	1.66	1.66	1.62
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of October:			
Seasonally adjusted	125	124	132
Unadjusted	129	126	138
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of October (000's omitted):			
Ordinary	$2,086,000	------	$1,924,000
Industrial	598,000	------	572,000
Group	388,000	------	374,000
Total	$3,072,000	------	$2,870,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of August:			
Net railway operating income	$84,072,977	$71,113,265	$101,631,613
Other income	18,212,214	16,827,962	20,806,750
Total income	102,285,191	87,941,227	122,438,363
Miscellaneous deductions from income	3,216,570	3,350,927	3,997,814
Income available for fixed charges	99,068,621	84,590,300	118,440,549
Income after fixed charges	67,233,684	52,663,106	84,826,556
Other deductions	3,024,027	3,297,860	3,303,505
Net income	64,209,657	49,365,246	81,523,051
Depreciation (way & structure & equipment)	44,212,918	44,128,611	42,256,372
Federal income taxes	19,998,880	15,780,480	56,624,106
Dividend appropriations:			
On common stock	21,871,146	25,314,258	29,281,127
On preferred stock	4,536,959	2,008,695	4,802,527
Ratio of income to fixed charges	3.11	2.65	3.52

Tariff Cuts in National Interest, Says C.E.D.

Research body, averring U. S. has special responsibility for liberalizing trade, maintains direction of our tariff policy will determine whether free world moves toward widening markets and expanding production, or toward intensified economic nationalism and political division. Endorses gradual and selective tariff reductions along lines proposed by President Eisenhower, and adds the following suggestions: (1) renewal for at least five years of President's authority to make reciprocal trade agreements; (2) modification of Act's peril-point and escape-clause provisions; and (3) authority for President to exchange tariff reductions for other kinds of concessions.

"It is in the national interest of the United States to continue a policy of gradual and selective tariff reduction." This is the major conclusion reached by the Research and Policy Committee of the Committee for Economic Development after more than a year's study of the arguments for and against freer trade, made public on Nov 23.

"As the strongest economic power in the free world, the United States has a special responsibility for liberalizing trade —the responsibility of leadership," the Committee said. "The direction which our tariff policy takes will help to determine whether the free world moves ahead to widening markets and expanding production or whether it moves in the opposite direction, toward intensified economic nationalism and political division."

"The effectiveness of our efforts to expand world trade is not, of course, despendent on our policies alone," the Committee said. "How other countries respond to our lead is equally important, and their response should condition the course of our tariff policy. We believe, however, that the case for our taking the initiative now is very strong."

The CED's Research and Policy Committee, whose Chairman is Frazar B. Wilde of Hartford, President of the Connecticut General Life Insurance Co., is charged with making objective studies of important national economic issues in an attempt to determine policies which will keep living standards, employment and production at high levels. The current one, "United States Tariff Policy," was made public by Mr. Wilde and Howard C. Petersen of Philadelphia, Chairman of the Subcommittee on International Economic Policy. Mr. Petersen is President of Fidelity Philadelphia Trust Co., Philadelphia.

Liberalization Should Be Gradual and Selective

"CED does not favor unlimited free trade," the Committee said, emphasizing that the tariff liberalization policy it recommends should be gradual and selective and "should be fair to those who may be affected adversely by tarriff reduction. It should not damage domestic production which is truly essential to national security. We believe that a tariff policy of this kind, will, on balance, strengthen our domestic economy and increase our national security."

In the Committee's opinion "the first requirement of tariff policy is to minimize uncertainty" about its future course.

To accomplish this it recommends that the President's trade agreements authority be extended for at least five years.

The Committee also recommended:

Authorization for the President to reduce tariff rates by not more than 5% per year through the period of extension. "Unused authority should not expire but should carry over to following years."

Authority for the President to reduce any tariff rate now above 50% of an import's value to that level, with such reductions ordinarily to be made over a period of years.

Presidential authority "to suspend the tariff duty on any product which is not produced in substantial quantities in the United States."

Authority for the President to reduce tariffs in exchange for other kinds of concessions abroad, such as changes in other countries' import quotas or effective guarantees for American investments abroad.

Randall Propositions Endorsed

The Committee also endorsed proposals previously made by the Commission on Foreign Economic Policy (the Randall Commission) for simplifying classification and valuation of imports for tariff purposes.

Other recommendations of CED's Research and Policy Committee included:

More effective administration of the Anti-Dumping Act to give American industry better protection against sale of foreign merchandise here at a price substantially below the price charged in the exporting country. This should be done without creating unnecessary delays and uncertainties for American importers and foreign exporters.

Modification of the peril-point and escape-clause provisions of the Trade Agreements Act to remove the "serious limitations on the President's ability to lower tariff rates."

Not only should the President be free to set aside Tariff Commission recommendations under the peril-point and escape-clause provisions when the national interest requires it, in the Committee's opinion, but these provisions should be changed in two ways:

"First, it should be made clear that the purpose of these provisions is to prevent serious hardship rather than the prevent any reduction of domestic output by imports. 'Serious hardship' might be defined as reduction in output and employment on a substantial scale, where a major part of the labor and facilities released would be unable to find suitable alternative employment or use within a reasonable time.

Peril-Point and Escape-Clause Proceedings Should Be Temporary

"Second, the withholding of a tariff rate reduction under the peril-point provision, or its withdrawal as a result of escape-clause proceedings, should ordinarily be temporary, not permanent." While "business firms, employees and communities should be given sufficient time to readjust to the effects of tariff reductions," the Committee said, "they cannot reasonably claim the permanent right to avoid adjustments where the national interest clearly calls for a tariff reduction."

The Committee's statement reflected the many months of debate and analysis oft he various points of view concerning tariff policy and its ramifications. Several pages of the report are devoted to setting out the views of those, including a minority of the Committee, who oppose tariff liberalization.

But after full consideration of these views, the Committee, "by a preponderant majority, has come to the conclusion that it is in the national interest of the United States to continue a policy of gradual and selective tariff reduction."

It reached this conclusion primarily because "the survival of freedom and of Western civilization depends in considerable part on whether this country is able to keep strong allies willing to work with us in strengthening the free world and resisting Communist subversion and aggression," the Committee declared.

While Western Europe and Japan "have now recovered from the direct effects of the war, they have not yet recovered their economic strength," the Committee noted. "Although it is doubtful that lower tariffs would increase our trade with these countries in the next few years, the longer run effects could be important if our tariff policy could be put on a stable basis so as to minimize uncertainty."

"Moreover, the psychological and political effects of our tariff policy should not be underestimated," it added. "Adoption of a clear-cut policy of tariff liberalization would be signal evidence of our concern for the economic welfare of other free nations. It would therefore help to strengthen our alliances at a time when they badly need strengthening. Conversely, a reversal of our tariff policy would be interpreted by the rest of the world as a retreat from our present foreign policy."

The economies of our major allies are considerably more dependent on foreign trade than ours is, the Committee said, pointing out that Britain's imports are equal to about 22% of its Gross National Product as compared with 3% for the United States. Corresponding figures for others: Holland 38%, Belgium 30%, Western Germany 13%, Italy 14%, Japan 10%, France 7%.

Tariff liberalization will strengthen our own economy, in the Committee's opinion. The more other countries are able to sell to us the more they will be able to buy. "In general increased imports at costs and prices below those involved in domestic production raise our standard of living," adding to the variety of our consumption and stimulating American industry to develop new and better products.

While most American producers, particularly mass-production industries, "will be affected little if at all by a gradual reduction in tariffs," the Committee said the impact of even moderate reductions might be more serious on some, "particularly on products of the handicraft type and on a few agricultural commodities." It said others which might be affected include heavy electrical equipment, watches, woolen and worsted textiles, flat glass, staple fibre, some chemicals and some machine tools.

"In these cases it is doubly necessary to proceed cautiously and gradually with tariff reductions," the Committee said. This should not mean, however, "to prevent any additional competition for domestic producers." The Committee said that "competitive adjustments of the sort that might result from changes in the tariff are basically no different, and have ordinarily been far less severe, than those which are continuously taking place within our competitive domestic economy" and which "are part of the growth of our productive efficiency and of the growth of our standard of living."

"Though these adjustments may at times be painful, they are one of the sources of the dynamism of the American economy. Their final effect is not to reduce average American wages but to increase them," the Committee said.

Nevertheless the social and economic costs of such adjustments must be carefully weighed in making tariff policy, the Committee said.

"Situations of hardship can be anticipated and avoided in most cases if tariff reductions are preceded by a careful examination of the possible results, product by product and industry by industry. Where reduction of domestic output would be substantial and where alternative employment opportunities take time to develop, a gradual approach to tariff liberalization will, in most cases, allow sufficient time for the necessary adjustments."

"The principle that persons damaged by action taken in the national interest should be compensated appeals to the sense of justice," the Committee said, in application of that principle to competitive damage resulting from increased imports presents very difficult problems, not only of measuring the damage but of determining how much of it is directly traceable to a particular tariff cut. Even if such difficulties could be overcome, the Committee questioned the wisdom of creating a precedent which would tend "to establish the principle that property rights can be acquired in the continuation of particular government policies or controls."

"Fortunately," it said, "there exist alternatives to compensation which avoid these difficulties. Much help by local, state and Federal bodies is already available to facilitate conversion or readjustment to more promising activities for firms, communities and workers affected by increased competition." Enumerating many of the aids to increased diversification, it called for more vigorous use of them.

As to arguments that tariff reductions may handicap U. S. defense capabilities, the Committee said:

"All Americans agree that production and productive capacity essential to national security should be safeguarded from damage which may result from import competition as tariffs are lowered. Hovever, what production or capacity is essential to national security is a difficult matter of judgment.

"Our belief is that only production or productive capacity which would be indispensable in time of national emergency, and which could not readily be built up after the onset of the emergency, can properly be included in this category.

"Even where damage to essential capacity or output would result from a tariff cut, continued tariff protection is not necessarily the best means of preventing it." The Committee said other methods might be preferable in certain cases, such as standby military contracts, direct subsidies, or government stockpiling.

In addition to Messrs. Wilde and Petersen, members of CED's Research and Policy Committee are: Vice Chairman, J. Cameron Thomson, President, Northwest Bancorporation, Minneapolis; Elliott V. Bell, Chairman of the Executive Committee, McGraw-Hill Publishing Company, Inc., New York; John D. Biggers, Chairman of the Board, Libbey-Owens-Ford Glass Company, Toledo; James F. Brownlee, Partner, J. H. Whitney & Co., New York; S. Bayard Colgate, Honorary Chairman of the Board, Colgate-Palmolive Co., New York; S. Sloan Colt, President, Bankers Trust Company, New York; Gardner Cowles, President, Des Moines Register & Tribune and Cowles Magazines, Inc., New York; Jay E. Crane, Vice-President, Standard Oil Company (New Jersey), New York.

Harlow H. Curtice, President, General Motors Corporation, Detroit; Williams C. Foster, President, Manufacturing Chemists' Assn., Inc., Washington, D. C.; Clarence Francis, General Foods Corporation, New York; Philip L. Graham, President and Publisher, The Washington Post and Times Herald, Washington, D. C.; Robert Heller, President, Robert Heller & Associates, Inc., Cleveland; Amory Houghton, Chairman of the Board, Corning Glass Works, Corning, N. Y.; Ernest Kanzler, Vice Chairman of the Board, Universal C.I.T. Credit Corporation, Detroit; Meyer Kestnbaum, President, Hart Schaffner & Marx, Chicago.

Sigurd S. Larmon, President, Young & Rubicam, Inc., New York; Fred Lazarus, Jr., President, Federated Department Stores, Inc., Cincinnati; Leroy A. Lincoln, Chairman of the Board, Metropolitan Life Insurance Co., New York; Thomas B. McCabe, President, Scott Paper Company, Chester, Pa.; Fowler McCormick, Chicago; Don G. Mitchell, Chairman of the Board, Sylvania Electric Products, Inc., New York; George L. Morrison, Chairman of the Board and President, General Baking Company, New York.

Philip D. Reed, Chairman of the Board, General Electric Company, New York; Beardsley Ruml, New York; Harry Scherman, Chairman of the Board, Book-of-the-Month Club, Inc., New York; S. Abbot Smith, President, Thomas Strahan Company, Chelsea, Mass.; Wayne C. Taylor, Washington, D. C.; Alan H. Temple, Executive Vice-President, The National City Bank of New York, New York; Theodore O. Yntema, Vice-President-Finance, Ford Motor Company, Dearborn, Mich.; J. D. Zellerbach, President Crown Zellerbach Corporation, San Francisco.

Two members of the Committee, Messrs. Biggers and Kanzler, dissented from its recommendation. Because of absence from the country, Messrs. Curtice and Reed did not participate in the voting on the final text.

Members of the subcommittee which conducted the study are: Mr. Petersen, Chairman; Frank Altschul, New York; Henry P. Bristol, Chairman of the Board, Bristol-Myers Company, New York; Mr. Colt; Mr. Cowles; Mr. Crane; John S. Dickey, President, Dartmouth College, Hanover, N. H.; Mr. Foster; H. J. Heinz, II, President, H. J. Heinz Company, Pittsburgh; Mr. Reed; Mr. Ruml; Mr. Scherman; H. Christian Sonne, Chairman of the Board, Amsinck, Sonne & Company, New York; Mr. Taylor; Mr. Zellerbach.

McLaughlin, Cryan Co. Formed in New York

Announcement is made of the dissolution of McLaughlin, Reuss & Co. as of Nov. 30, and the formation, Dec. 1, of McLaughlin, Cryan & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Partners are John E. McLaughlin, Frank M. Cryan, Cyril J. Andrews, member of the New York Stock Exchange, Frank J. Brady, and George V. Hunt.

Branch offices are located at 12 Hopewell Street, Albany, N. Y., under the manageemnt of Herman Resnick, and at 511 Wood Street, Pittsburgh, Pa., under the direction of Sydney Stolack.

Foremost Dairies Pfd. Placed Privately

Allen & Co., and Salomon Bros. & Hutzler have placed privately with institutional investors 50,000 shares of Foremost Dairies, Inc. $4.50 preferred stock at a price of $100 per share and accrued dividends.

The proceeds from this sale, together with other funds, are to be used to finance the purchase of the common stock of American Dairies, Inc., of Kansas City, Mo., operating 13 subsidiaries in Missouri, Kansas and Arkansas.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Alaska Telephone Corp. (12/15)
Nov. 9 (letter of notification) $158,000 of 6% 10-year convertible debentures, series D, due Dec. 1, 1964. **Price**—At $70 per $100 debenture. **Proceeds**—For payment of indebtedness, conversion to dial system, increased facilities, and working capital. **Office**—Alaska Trade Bldg., Seattle 1, Wash. **Underwriter**—Tellier & Co., Jersey City, N. J.

Allied-Manchester Corp. (Mass.)
Nov. 17 (letter of notification) 2,999 shares of convertible class A common stock. **Price** — At par ($100 per share). **Proceeds**—For loans and working capital. **Underwriter**—Allied Research & Service Corp., 50 Congress St., Boston, Mass.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

★ American Discount Co. of Georgia (12/15)
Nov. 29 filed 15,000 shares of 5% cumulative preferred stock, series 1954. **Price**—At par ($50 per share). **Proceeds** — For working capital. **Office** — Charlotte, N. C. **Underwriters**—A. M. Law & Co., Spartanburg, S. C.; Johnson, Lane, Space & Co., Inc., Savannah, Ga.; and Interstate Securities Corp., Charlotte, N. C.

★ American Steel & Pump Corp., N. Y.
Nov. 24 filed $3,000,000 of 4% income bonds, series A, due Dec. 1, 1994. **Price**—To be supplied by amendment. **Proceeds**—To pay $55,000 of 6% collateral income notes and $100,000 demand notes; to pay Federal income tax liabilities and for working capital, etc. **Underwriter**—A. W. Benkert & Co., Inc., New York.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Armour & Co., Chicago
Nov. 8 filed 500,000 shares of common stock (par $5) to be issued upon the exercise of warrants to be issued in connection with proposed plan to issue $120 principal amount of 5% cumulative income subordinated debentures due Nov. 1, 1984, and one common stock purchase warrant in exchange for each share of no par value $6 cumulative convertible preferred share outstanding with dividend arrearages of $18 per share. This will involve $60,000,000 of new debentures. Warrants would be exercisable at $12.50 per share during the first two years, $15 during the next three years, $17.50 during the following two years and $20 during the last three years. **Financial Advisor**—Wertheim & Co., New York.

Australia (Commonwealth of) (12/8)
Nov. 18 filed $25,000,000 of 15-year bonds due Dec. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to redeem on Jan. 15, 1955, $29,631,000 of External Loan of 1925 30-year 5% gold bonds due July 15, 1955 at 100% and accrued interest. **Underwriter**—Morgan Stanley & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Belgium (Kingdom of) (12/15)
Nov. 26 filed $30,000,000 of external loan bonds, consisting of $5,000,000 of three-year bonds, $5,000,000 of four-year bonds, $5,000,000 of five-year bonds and $15,000,000 of 10-year sinking fund bonds. **Prices**—To be supplied by amendment. **Proceeds**—To assist in financing cost of certain projects being undertaken by the Belgian Government. **Underwriters** — Morgan Stanley & Co. and Smith, Barney & Co., both of New York.

Bell Aircraft Corp. (12/15)
Nov. 24 filed 246,119 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Equity Corp., the selling stockholder. **Underwriter**—Eastman, Dillon & Co., New York.

• Bell & Gossett Co. (12/13-14)
Nov. 23 filed 300,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To retire long-term indebtedness to insurance companies and for general corporate purposes. **Business**—Manufactures and sells vorious types of heat transfer equipment. **Underwriter**—Blair & Co. Incorporated, New York.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

• Blue Mountain Uranium Mines, Inc. (12/8)
Nov. 12 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Office**—230 N. Third St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Bowl-Mor Co., Inc., Everett, Mass.
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$5.50 per unit. **Proceeds**—To carry machine leases and finance manufacturing operations. **Business**—Manufactures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

★ Canton Parking Corp., Canton, Ohio
Nov. 23 (letter of notification) 1,858 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For traffic and parking survey and other corporate purposes. **Address**—c/o Canton Chamber of Commerce, 428 Market Street, Canton, Ohio. **Underwriter**—None.

Caramba McKafe Corp. of America
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working

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NEW ISSUE CALENDAR

December 2 (Thursday)
Great Northern Ry.____Equip. Trust Ctfs.
(Bids noon EST) $3,880,000
Mississippi Power & Light Co.____Preferred
(Exchange offer—bids 11 a.m. EST) 44,476 shares

December 6 (Monday)
Cavitron Corp.____Preferred & Common
(Schuster & Co., Inc.) $270,000
Century Uranium Corp.____Common
(James Anthony Securities Corp.) $300,000
Chicago, Milw., St. Paul & Pac. RR.____Equip. Trust Ctfs.
(Bids noon CST) $7,200,000
El Paso Natural Gas Co.____Preferred
(White, Weld & Co.) 300,000 shares
Western Empire Uranium Co.____Common
(L. A. Huey Co.) $275,000

December 7 (Tuesday)
Central Power & Light Co.____Preferred
(Bids 10:30 a.m. CST) $7,500,000
Chicago, Burlington & Quincy RR.__Equip. Tr. Ctfs.
(Bids to be invited) $4,800,000
Illinois Telephone Co.____Preferred
(Dean Witter & Co.) $1,000,000
Long Island Lighting Co.____Bonds
(Bids 11 a.m. EST) $15,000,000
Mexican Gulf Sulphur Co.____Common
(Van Alstyne, Noel & Co.) 200,000 shares
Reinforced Plastics Corp.__Debentures & Common
(John R. Boland & Co., Inc.) $295,295

December 8 (Wednesday)
Australia (Commonwealth of)____Bonds
(Morgan Stanley & Co.) $25,000,000
Blue Mountain Uranium Mines, Inc.____Common
(Tellier & Co.) $300,000
Monterey Oil Co.____Common
(Lehman Brothers) 300,000 shares
Stancan Uranium Corp.____Common
(Gearhart & Otis, Inc. and Crerie & Co.) $2,625,000
Tennessee Gas Transmission Co.____Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $125,000,000
Texas Pacific Ry.____Equip. Trust Ctfs.
(Bids noon EST) $1,350,000

December 9 (Thursday)
Eastern Utilities Associates____Bonds
(Bids 11 a.m. EST) $7,250,000
Missouri Pacific RR.____Equip. Trust Ctfs.
(Bids to be invited) $4,575,000

December 10 (Friday)
Texam Oil & Gas Co.____Common
(Allen & Co.) 700,000 shares

December 13 (Monday)
Bell & Gossett Co.____Common
(Blair & Co. Incorporated) 300,000 shares
Jarecki Corp.____Common
(Baker, Simonds & Co.) $2,250,000

December 14 (Tuesday)
New England Tele. & Tele. Co.____Debentures
(Bids 11 a.m. EST) $30,000,000
New Orleans Public Service Inc.____Bonds
(Bids noon EST) $6,000,000
Olsen (C. A.) Manufacturing Co.____Common
(Hornblower & Weeks) 225,000 shares
Oroco Oil & Gas Co.____Common
(Rauscher, Pierce & Co.) 520,000 shares
Puerto Rico Water Resources Authority____Bonds
(Bids 11 a.m. EST) $12,500,000
Virginia Telephone & Telegraph Co.____Common
(Scott, Horner & Mason, Inc.) $533,750

December 15 (Wednesday)
Alaska Telephone Corp.____Debentures
(Tellier & Co.) $158,000
American Discount Co. of Georgia____Preferred
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.) $750,000
Belgium (Kingdom of)____Bonds
(Morgan Stanley & Co.) $30,000,000
Bell Aircraft Corp.____Common
(Probably Eastman, Dillon & Co.) 246,119 shares
Illinois Central RR.____Debentures
(Bids noon EST) $18,000,000
Loma Uranium Corp.____Common
(Peter Morgan & Co.) $1,250,000
San Juan Racing Association____Common
(Hunter Securities Corp.) $300,000

December 16 (Thursday)
New York, New Haven & Hartford RR.____Equip. Trust Ctfs.
(Bids to be invited) $3,345,000

December 20 (Monday)
Magna Oil Corp.____Common
(Bache & Co.) 240,000 shares
Servomechanisms, Inc.____Debentures
(Van Alstyne, Noel & Co.) $2,000,000

January 4 (Tuesday)
Union Trust Co. of Maryland____Common
(Alex. Brown & Sons) 100,000 shares

January 11 (Tuesday)
Commonwealth Edison Co.____Bonds
(Bids to be invited)
New York, Chicago & St. Louis RR.____Debentures
(Bids to be invited) $36,000,000
United Gas Corp.____Common
(Bids 11:30 a.m. EST) 170,000 shares

January 18 (Tuesday)
New England Power Co.____Bonds
(Bids to be invited) $25,000,000

February 15 (Tuesday)
Kansas City Power & Light Co.____Bonds
(Bids to be invited) $16,000,000

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capital. Office—615 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

★ **Carpenter Steel Co.**
Nov. 22 (letter of notification) an aggregate of not to exceed $300,000 value of common stock (par $5) to be offered to employees under Stock Purchase Plan. **Price** At market. **Proceeds**—None to company. **Office**—117 Main Street, Flemington, N. J. **Underwriter**—None.

Cascade Natural Gas Corp., Seattle, Wash.
Oct. 27 (letter of notification) 23,625 shares of common stock (par $1) to be offered for subscription by stockholders on a 1-for-10 basis. **Price** — $6 per share. **Proceeds**—To repay bank loans and promissory notes. **Office**—Securities Bldg., Seattle, Wash. **Underwriters**—Blanchett, Hinton & Jones, Seattle, Wash., and First California Co., Los Angeles, Calif.

★ **Cavitron Corp. (12/6-10)**
Nov. 22 (letter of notification) 10,000 shares of $1.50 cumulative sinking fund preferred stock (par $25) and 20,000 shares of common stock (par 10 cents) to be offered in units of one preferred and two common shares. **Price**—$27 per unit. **Proceeds** — To retire bank loans, to purchase machinery and equipment and for working capital. **Office**—42-26 28th Street, Long Island City 1, N. Y. **Underwriter**—Schuster & Co., Inc., New York.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

Central Power & Light Co. (12/7)
Nov. 15 filed 75,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. **Bids**—To be received up to 10:30 a.m. on Dec. 7 at 20 No. Wacker Drive, Chicago, Ill.

● **Century Uranium Corp., Dallas, Texas (12/6)**
Nov. 3 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Office** — 712 Gulf States Bldg., Dallas Tex. **Underwriter**—James Anthony Securities Corp., New York.

Chesapeake Industries, Inc.
Oct. 15 filed 996,304 shares of common stock (par $1) and 33,818 shares of $4 cumulative preferred stock (par $10) being offered in exchange for preferred and common shares of Home & Foreign Securities Corp. and Oils & Industries, Inc., common shares of common stock of Intercontinental Holdings, Ltd. and Intercoast Petroleum Corp. and capital stock of Colonial Trust Co. The offer is subject to deposit of not less than 90% of the stock of Colonial and not less than 80% of the stock of the first three companies mentioned above.

Chinchilla Corp. of America, Linthicum, Md.
Oct. 21 (letter of notification) 1,200,000 shares of common stock (par three cents). **Price**—25 cents per share. **Proceeds**—For working capital, etc. **Office**—Hammonds Ferry Road, Linthicum, Md. **Underwriter**—Kelleher & Co., Washington, D. C.

★ **Circle Air Industries, Inc.**
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

★ **City Gas Co. of Phillipsburg, N. J.**
Nov. 26 (letter of notification) 100 shares of 5% cumulative preferred stock (par $100). **Price**—$101 per share (with adjustment for accrued dividend to date of payment). **Proceeds**—To Harry E. Carver, the selling stockholder. **Office**—57 Main Street, Flemington, N. J. **Underwriter**—None.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Colorvision, Inc., Los Angeles, Calif.
Nov. 1 (letter of notification) 300,000 shares of common stock to be offered for subscription to present stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital, inventories, machinery and equipment, etc. **Office**—109 N. Larchmont Blvd., Los Angeles 4, Calif. **Underwriter**—None.

Col-U-Mex Uranium Corp., Albuquerque, N. Mex.
Oct. 25 (letter of notification) 2,900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—320 Korber Bldg., Albuquerque, N. Mex. **Underwriter**—Whitney & Co., same city.

Compo Shoe Machinery Corp.
Oct. 29 filed 30,928 shares of 5% cumulative convertible preferred stock being offered first for subscription by common stockholders at the rate of one preferred share for each 10 common shares held Nov. 22 (with an oversubscription privilege); rights to expire on Dec. 7. **Price**—At par ($25 per share). **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis.

Consolidated Credit Corp., Charlotte, N. C.
Oct. 25 (letter of notification) $100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a $1,000 note and one warrant. **Price**—$1,000 per unit (each warrant is exercisable at $10 per share.) **Proceeds** — To repay bank loan. **Office** — 221½ West Trade St., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

★ **Consumers Cooperative Association, Kansas City, Mo.**
Nov. 24 filed 80,000 shares of 5½% preferred stock, 20,000 shares of 4% second preferred stock and 40,000 shares of 2% third preferred stock (all three being "cumulative to the extent earned before patronage refunds"), together with $500,000 of subordinated certificates of indebtedness, 4½%—10 years, and $1,000,000 of subordinated certificates of indebtedness, 5½%—20 years. **Price** — For preferred — At par ($25 per share); and for certificates, at principal amount. **Proceeds**—To finance inventories and accounts receivable and to repay bank loans and certificates ahead of maturity. **Underwriter**—None.

Dallas Power & Light Co.
Nov. 17 (letter of notification) 567 shares of common stock (no par) to be offered for subscription by minority stockholders. **Price** — $140 per share. **Proceeds** — For construction program. **Office**—1506 Commerce Street, Dallas, Texas. **Underwriter**—None.

Dallas Uranium & Oil Corp.
Nov. 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents). **Proceeds**—For exploration and development expenses. **Office**—1028 National Bank Bldg., Denver, Colo. **Underwriter**—Brereton, Rice & Co., Inc., same city.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds**—For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob, Utah. **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

★ **Diatom Corp., Las Vegas, Nev.**
Nov. 26 (letter of notification) 300,000 shares of common stock (par $1). **Price**—Half at 50 cents per share; and half at $1 per share. **Proceeds**—To mine material (chalk) contaning some diatomaceous earth, commonly known as "Desert Soap." **Office**—Cornet Building, Las Vegas, Nev. **Underwriter**—None.

Eastern Utilities Associates (12/9)
Nov. 10 filed $7,250,000 collateral trust bonds due Dec. 1, 1979. **Proceeds**—To be used principally to refund $7,000,000 4⅜% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 9 at 49 Federal St., Boston, Mass.

Edgemont Mining & Uranium Corp.
Oct. 28 filed 3,000,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For equipment, exploration on purchases of additional claims or leases. **Office** — Edgemont, S. Dak. **Underwriter** — Capper & Co., New York.

El Paso Natural Gas Co. (12/6)
Nov. 5 filed 300,000 shares of convertible second preferred stock, series of 1954 (no par) to be offered in part for subscription by common stockholders and in part in exchange for outstanding $4.40 convertible preferred stock, series of 1952, on a share-for-share basis with a cash adjustment. **Price** — To be supplied by amendment. **Proceeds**—To redeem 1952 series preferred stock and to reduce bank loans. **Underwriter** — White, Weld & Co., New York.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Fallon Gas Corp., Denver, Colo.
Oct. 20 (letter of notification) 5,400,000 shares of common stock (par five cents) to be offered for subscription by stockholders of Colo-Kan Fuel Corp. for a period of 40 days; then to public. **Price**—5½ cents per share. **Proceeds**—For expenses incident to gas activities (and possibly uranium). **Office**—527 Ernest & Cranmer Bldg., Denver, Colo. **Underwriter** — First Securities Corp., Philadelphia, Pa.

★ **Farm & Home & Discount Co., Phoenix, Ariz.**
Nov. 29 filed 320,000 shares of class A common stock (par 25 cents), 214,285 shares of class B common stock (par 35 cents) and 300,000 shares of class C common stock (par 50 cents). **Price** — At par. **Proceeds** — For working capital. **Underwriter**—None.

★ **Fidelity & Deposit Co. of Maryland**
Nov. 17 (letter of notification) 155 shares of capital stock (par $10). **Price**—At market (estimated at around $87-$89). **Proceeds**—To stockholders entitled to receive fractional shares in connection with payment of stock dividend. **Office**—Charles and Lexington Streets, Baltimore 3, Md. **Underwriter**—None.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300.000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ **Frye (John A.) Shoe Co., Inc.**
Nov. 22 (letter of notification) 500 shares of 7% cumulative first preferred stock. **Price**—At par ($100 per share). **Proceeds**—For machinery and equipment and other capital requirements. **Office**—84 Chestnut Street, Marlboro, Mass. **Underwriter**—None.

Funeral Directors Manufacturing & Supply Co.
Nov. 5 filed 199,907 shares of common stock to be sold to customers. **Price**—At par ($100 per share). **Proceeds**—For capital expenditures and working capital and other general corporate purposes. **Office** — Louisville, Ky. **Underwriter**—None.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

General Gas Corp.
Sept. 22 filed 143,500 shares of common stock (par $5) being offered in exchange for common stock of Consolidated Gas Co. of Atlanta, Ga., on the basis of 63/100ths of a share of General Gas for each Consolidated share. The offer is subject to deposit of at least 175,000 shares of Consolidated stock out of 210,000 shares outstanding. **Underwriter**—None.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Tire & Rubber Co.
Nov. 18 filed 95,000 shares of 5½% cumulative preference stock (par $100) to be offered in exchange for common stock of Motor Products Corp., the rate of exchange to be filed by amendment. Offer will be subject to acceptance thereof by holders of not less than 313,000 shares of Motor Products common stock.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Georgia Continental Telephone Co., Dawson, Ga.
Nov. 19 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds** — For additions and improvements. **Underwriters**—White, Weld & Co., New York; and The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., both of Atlanta, Ga.

Glasscock (C. G.)-Tidelands Oil Co.
Nov. 12 filed 215,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, to purchase outstanding stock of C. G. working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; and William R. Staats & Co., Los Angeles ,Calif.

Globe Hill Mining Co., Colorado Springs, Colo.
Nov. 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—1¾ cents per share. **Proceeds**—For mining purposes. **Office**—336 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Al. J. Johnson, same city.

★ **Globe Uranium, Inc., Phoenix, Ariz.**
Nov. 22 (letter of notification) 400,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For exploration and development costs. **Office** 31 West Monroe Street, Phoenix, Ariz. **Underwriter** — C. O. Lee, same address.

Great Southwest Land & Cattle Co.
Oct. 28 filed 1,250,000 shares of class A common stock to be offered to present and future holders of special participating life insurance contracts issued by Great Southwest Life Insurance Co., and to the public generally. **Price**—At par ($1 per share. **Proceeds**—To lease land for operation of cattle business. **Office**—Phoenix, Ariz. **Underwriter**—None.

Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅝% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gunsite Butte Uranium Corp.
Oct. 25 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—36 West Broadway, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same address.

Hackensack Water Co.
Oct. 28 filed 48,047 shares of common stock (par $25) being offered for subscription by common stockholders at the rate of one new share for each eight shares held as of Nov. 18; rights to expire on Dec. 6. **Price**—$40 per share. **Proceeds**—For capital additions and to purchase securities of Spring Valley Water Works & Supply Co. **Underwriters**—The First Boston Corp. and White, Weld & Co., both of New York.

Harley Patents, Inc.
Nov. 10 (letter of notification) 7,900 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To underwriter, E. E. Smith Co., New York. No general offering planned.

Headley (George L.) Associates, Inc.
Oct. 15 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—F. M. Hall & Co., New York, N. Y.

Home Telephone & Telegraph Co. of Virginia
Oct. 18 (letter of notification) 40,320 shares of capital stock being offered to stockholders of record Nov. 18, 1954, on the basis of one new share for each seven shares held; rights to expire Dec. 15. **Price** — At par ($5 per share). **Proceeds**—To reduce bank notes. **Office**—107 Valley Street, Emporia, Va. **Underwriter**—None.

★ **Hot Shoppes, Inc., Washington, D. C.**
Nov. 24 (letter of notification) 11,485 shares of common stock (par $1) to be offered to key management personnel. **Price**—$8.50 per share. **Proceeds**—For plant expansion. **Office**—4115 Kansas Avenue, N. W., Washington, D. C. **Underwriter**—None.

Illinois Telephone Co., Bloomington, Ill. (12/7)
Nov. 17 filed 20,000 shares of cumulative preferred stock, series C (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

International Bankers Life Insurance Co.
Sept. 29 (letter of notification) 12,500 shares of common stock to be offered for subscription by stockholders of record Sept. 20, 1954 at rate of one new share for each share held. **Price**—At par ($10 per share). **Proceeds**—For addition to capital and to be invested in appropriate securities. **Office**—Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

★ **International Dairies, Inc., Miami, Fla.**
Nov. 22 (letter of notification) 300,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For plant facilities, machinery and equipment and working capital. **Underwriter**—None.

International Spa, Inc., Reno, Nev.
Nov. 23 filed 12,000 shares of common stock (no par). **Price**—$500 per share. **Proceeds**—For land, construction, working capital, etc. **Underwriter**—None.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share, and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

Jarecki Corp., Grand Rapids, Mich. (12/13-17)
Nov. 19 filed 180,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To F. J. Jarecki (Chairman), C. F. Jarecki (President and General Manager) and Leora J. Walgren, each selling 60,000 shares. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Kemper Thomas Co., Cincinnati, Ohio
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

★ **Kismet Uranium & Oil Corp., Reno, Nev.**
Nov. 22 (letter of notification) 800,000 shares of capital stock (par 10 cents). **Price**—25 cents per share. **Proceeds** — For exploration and development expenses. **Address**—c/o The Corporation Trust Co. of Nevada, 206 No. Virginia Street, Reno, Nev. **Underwriter**—None.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Oil & Uranium Co., Denver, Colo.
Nov. 19 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 250 Equitable Bldg., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Lincoln Uranium Corp., Reno, Nev.
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

Loma Uranium Corp., Denver, Colo. (12/15)
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York.

Long Island Lighting Co. (12/7)
Nov. 10 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.; Baxter, Williams & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 7 at City Bank Farmers Trust Co., 20 Exchange Pl., New York 15, N. Y.

★ **Lundy Packing Co., Clinton, N. C.**
Nov. 22 (letter of notification) $100,000 of 10-year 6% debentures (in denominations of $10) and 10,000 shares of class A common stock (par $10). **Price**—At par. **Proceeds**—To expand plant. **Underwriter**—None.

★ **Macauley & Co., San Francisco, Calif.**
Nov. 26 (letter of notification) 3,111 shares of common stock (par $10); 1,500 shares of convertible participating preferred stock (par $100) and 750 shares of non-callable participating preferred stock (par $100). **Price**—At par. **Proceeds** — For working capital. **Office** — 25 California St., San Francisco, Calif. **Underwriter**—None.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

★ **Magna Oil Corp., Dallas, Texas (12/20)**
Nov. 29 filed 240,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For further investments, working capital and other corporate purposes. **Underwriter**—Bache & Co., New York.

Marine Midland Corp., Buffalo, N. Y.
Nov. 18 filed 426,000 shares of common stock (par $5) to be offered in exchange for outstanding stock of Genesee Valley Trust Co., at rate of 4¼ shares of common stock for each Genesee shares held of record on Dec. 8. Offer is subject to acceptance thereof by holders of not less than 80% (80,000 shares) of Genesee stock.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mayday Uranium Co., Salt Lake City, Utah
Oct. 29 (letter of notification) 17,000,000 shares of common stock (par one-half cent). **Price**—One cent per share. **Proceeds** — For exploration and development costs. **Office**—Harver Bldg., Salt Lake City, Utah. **Underwriter** — Utah Uranium Brokers, 2680 South 20th East, Salt Lake City, Utah.

Mercast Corp., N. Y.
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

● **Mexican Gulf Sulphur Co. (12/7)**
Oct. 22 filed 200,000 shares of common stock (par 10¢). **Price**—To be supplied by amendment. **Proceeds**—For equipment, capital improvements and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 260,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

★ **Mid-Continent Uranium Corp., Denver, Colo.**
Nov. 26 filed 1,562,500 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploratory operations, machinery and equipment, and for working capital and unforeseen contingencies. **Underwriter**—General Investing Corp., New York.

● **Mississippi Power & Light Co. (12/2)**
Sept. 3 filed 44,476 shares of 4.56% cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). Offer expected to run from Dec. 6 and expire Dec. 20. **Price**—$105 per share and accrued dividends. **Underwriter** — To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 2.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

Monterey Oil Co . (12/8)
Nov. 17 filed a maximum of 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment (initial offering price to be related to the then current price on the New York Stock Exchange. **Proceeds**—To reduce indebtedness incurred in purchase of assets of Fullerton Oil & Gas Corp. and for general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Moore Fabrics, Inc., Pawtucket, R. I.
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

New England Tel. & Tel. Co. (12/14)
Nov. 23 filed $30,000,000 of 34-year debentures due Dec. 15, 1988. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 14.

New Orleans Public Service Inc. (12/14)
Nov. 5 filed $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers, Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on Dec. 14.

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New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

Norfolk & Carolina Telephone & Telegraph Co.
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stockholders. **Proceeds**—To repay loan. **Office**—Elizabeth City, N. C. **Underwriter**—None.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

★ **NRFEA Building Corp., St. Louis, Mo.**
Nov. 24 (letter of notification) $100,000 of 3½% debentures due Jan. 3, 1970. **Price**—At par. **Proceeds**—To erect building for the National Retail Farm Equipment Association. **Office** — 1014 Locust St., St. Louis, Mo. **Underwriter**—None.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

Old Hickory Copper Co., Phoenix, Ariz.
Oct. 7 (letter of notification) 750,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Offices** — Mayer-Heard Bldg., Phoenix, Ariz., and 2 Broadway, New York, N. Y. **Underwriter**—General Investing Corp., New York. **Offering**—Not expected until early in 1955.

● **Olsen (C. A.) Manufacturing Co. (12/14)**
Nov. 24 filed 225,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business** — Produces warm air furnaces for residential use. **Office**—Elyria, Ohio. **Underwriter**—Hornblower & Weeks, New York.

One-Hour Valet, Inc., Miami, Fla.
Nov. 18 (letter of notification) 30,000 shares of common stock (par $1), of which 9,450 shares are to be offered by the company and 20,550 shares for the account of selling stockholders. **Price**—$5 per share. **Proceeds**—For investment in new subsidiaries. **Office** — Chamber of Commerce Bldg., Miami, Fla. **Underwriters** — R. S. Dickson & Co., Charlotte, N. C.; Courts & Co., Atlanta, Ga.; Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.; and Willis, Kenny & Ayers, Inc., Richmond, Va.

● **Oroco Oil & Gas Co. (12/14)**
Nov. 18 filed 520,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding debts and for drilling operations and other general corporate purposes. **Office**—Albuquerque, N. M. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

Paraderm Laboratories, Inc.
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

Peoples Securities Corp., New York
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

Pioneer Uranium Corp., Moab, Utah
Oct. 8 (letter of notification) 75,000 shares of capital stock (par $10). **Price**—At par. **Proceeds**—To redeem outstanding debentures and for working capital. **Underwriters**—Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

★ **Pittsburgh Reflector Co.**
Nov. 23 (letter of notification) 27,500 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—407 Oliver Building, Pittsburgh 22, Pa. **Underwriter**—Kay, Richards & Co., same city.

Quaker Warehouse Co., Inc., Philadelphia, Pa.
Sept. 10 filed $900,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. **Price**—At par. **Proceeds**—To purchase building, and for modernization and improvements. **Underwriter**—None. Statement effective Nov. 19.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

● **Reinforced Plastics Corp. (12/7)**
Oct. 28 (letter of notification) $295,000 of 5½% six-year convertible debentures, due Oct. 1, 1960, and 29,500 shares of common stock (par one cent) to be offered in units of one $1,000 debenture and 100 shares of stock. **Price** — $1,001 per unit. **Proceeds** — To retire debt, buy equipment and for working capital, etc. **Office**—Martha's Vineyard, Mass. **Underwriter**—John R. Boland & Co., Inc., New York.

Rhodesian Selection Trust Ltd. (Northern Rhodesia)
Nov. 12 filed 100,000 American shares to be issued against deposit of ordinary shares of Rhodesian Selection Trust Ltd. to be offered by subscription warrants to holders of American shares. (Rhodesian's principal offices were transferred from England to Lusaka, Northern Rhodesia, in 1953, and its principal asset consists of shares of the Mufulira Copper Mines, Ltd., Northern Rhodesia.) Proceeds of Rhodesian's offering of its shares will be used to subscribe to pro rata shares of a stock offering by Mufulira; the balance for general corporate purposes.

★ **Rhodesia Selection Trust, Ltd. (No. Rhodesia)**
Nov. 12 (letter of notification) 59,151 ordinary shares, par 5s. to be offered to stockholders of record Nov. 22, 1954 in the ratio of three new shares for each 44 shares held. Rights to expire on Dec. 22, 1954. Shares not taken down will not be reoffered in the United States. **Price**—$17s. 6d. ($2.38) per share. **Proceeds**—To purchase additional shares in copper producer (Mufulira), which in turn will use the proceeds for capital expenditures. **Underwriter**—Selection Trust Ltd., Selection Trust Bldg., Mason's Ave. and Coleman St., London, England.

Richland Uranium Corp., Salt Lake City, Utah
Nov. 2 (letter of notification) 2,950,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—810 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Jackson & Co., Inc., Boston, Mass.

Rolon Tire Chain Corp., Denver, Colo.
Oct. 27 (letter of notification) 60,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For increased inventory, working capital, sales and production expenses, etc. **Office**—150 Tejon St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., same city.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

● **San Juan Racing Association (12/15)**
Oct. 1 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To build and operate a horse-racing establishment in Puerto Rico. **Office**—Flamingo Bldg., Santurce, P. R. **Underwriter**—Hunter Securities Corp., New York.

San Juan Uranium Exploration, Inc.
Nov. 2 (letter of notification) 2,840,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—718 Kittredge Bldg., Denver, Colo. **Underwriter**—Rogers & Co., same address.

★ **Servomechanisms, Inc. (12/20-23)**
Dec. 1 filed $2,000,000 5% convertible debentures due 1966. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and other general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Sheba Uranium Mining & Exploration, Inc.**
Nov. 23 (letter of notification) 3,250,000 shares of common stock (par one cent). **Price**—1½ cents per share. **Proceeds**—For exploration and development costs. **Office**—513 Kiesel Building, Ogden, Utah. **Underwriter**—Weber Investment Co., of Ogden and Provo, Utah.

★ **Silver Pick Uranium, Inc., Reno, Nev.**
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Stancan Uranium Corp., Toronto, Canada (12/8)
Nov. 4 filed 1,750,000 shares of common stock (par 1¢). **Price**—$1.50 per share. **Proceeds**—To acquire uranium claims and for exploration and development work. **Underwriters** — Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Texas.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

Statler Hotels Delaware Corp.
Nov. 4 filed 1,004,509 shares of common stock (par $1) being offered for subscription by common stockholders of Hilton Hotels Corp. (except members of its executive group) on the basis of one Statler share for each Hilton share held on Nov. 24 (with an oversubscription privilege); rights to expire Dec. 10. The members of the executive group have purchased and paid for an aggregate of 650,000 additional shares of Statler stock. **Price**—$6.42 per share. **Proceeds**—To finance, in part, purchase of Hotels Statler Co., Inc., properties. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Stinnes (Hugo) Corp., New York
Nov. 22 filed $6,000,000 of notes and an unspecified number of shares of common stock (par $5) to be offered in units of $1,000 of notes and an unspecified number of common shares. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% debentures of Hugo Stinnes Industries, Inc., due 1946. **Underwriters**—Halsey, Stuart & Co. Inc. and A. G. Becker & Co. Inc., Chicago and New York.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tarbell Mines, Ltd. (Canada)
Sept. 24 (Regulation "D") 599,760 shares of common stock (par $1—Canadian). **Price**—50 cents per share—U. S. funds. **Proceeds**—For exploration and development expenses and acquisition of property. **Underwriter**—H. J. Cooney & Co., New York.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

Tennessee Gas Transmission Co. (12/8)
Nov. 17 filed $125,000,000 of new first mortgage pipe line bonds due 1975. **Price**—To be supplied by amendment. **Proceeds**—To redeem $38,450,000 3⅞% bonds due 1972; $24,750,000 4% bonds and $29,400,000 4⅛% bonds both due 1973; to pay $21,000,000 outstanding short term notes; and for general corporate purposes. **Underwriters**—Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.

● **Texam Oil & Gas Co., Houston, Texas (12/10)**
Nov. 17 filed 700,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for drilling development and exploratory costs. **Underwriter**—Allen & Co., New York.

Texas Glass Fibre Corp.
Nov. 10 (letter of notification) 50,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For improvements and working capital. **Office** — Grandview, Texas. **Underwriters**—Keith Reed & Co., Inc. and Eppler, Guerin & Turner, of Dallas, Texas; Muir Investment Corp. and Texas National Corp., of San Antonio, Texas; and Chas. B. White & Co., Houston, Texas.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

★ **Tilden Commercial Alliance, Inc.**
Nov. 26 (letter of notification) 30,000 shares of 6% cumulative and participating series A preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—26 Court Street, Brooklyn, N. Y. **Underwriter**—None.

★ **T. M. T. Trailer Ferry, Inc.**
Nov. 23 (letter of notification) $295,000 of 5½% convertible debentures due Dec. 1, 1960 and 29,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—To purchase equipment to retire $50,000 of notes and for working capital. **Underwriter** — John R. Boland & Co., Inc., New York.

★ **Town & Country Insurance Co., Tucson, Ariz.**
Nov. 18 (letter of notification) 100,000 shares of common stock (par $1) to be sold to policyholders. **Price**—$1.50 per share, the purchase price to be derived from (1) "dividends" to policyholders and interest thereon

and (2) additional cash payments from policyholders in an amount equivalent to premium. **Proceeds**—To capitalize rserve life insurance company. **Office**—2737 East 22nd Street, Tucson, Ariz. **Underwriter**—None.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

Transport Indemnity Co., Los Angeles, Calif.
Nov. 9 (letter of notification) 14,230 shares of capital stock (par $10) to be offered for subscription by stockholders of record Nov. 20, 1954, on the basis of one new share for each five shares held; rights to expire on Dec. 20, 1954. **Price**—$20 per share to stockholders; remaining shares, if any, may be sold to affiliate at $23.50, but aggregate amount will not exceed $300,000. **Proceeds**—For capital and surplus. **Office**—3670 Wilshire Blvd., Los Angeles 5, Calif. **Underwriter**—None.

★ **Tri-Continental Corp., New York**
Nov. 26 filed 100,000 shares of common stock (par $1), constituting part of the 4,154,483 authorized and unissued shares presently reserved by the corporation for issuance upon the exercise of its 3,271,247 outstanding common stock purchase warrants. Each warrant currently entitles the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

Turf Paradise, Inc., Phoenix, Ariz.
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development costs. **Office** — 129 East 60th St., New York, N. Y. **Underwriter**—None.

Uranium Discovery & Development Co., Wallace, Idaho
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For core drilling program upon two groups of claims. **Address**—Box 709, Wallace, Idaho. **Underwriter**—Wallace Brokerage Co., some city.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—420 Felt Building, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). **Price**—Six cents per share. **Proceeds**—For exploration and development expenses. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Van Horn Butane Service, Fresno, Calif.
Nov. 17 (letter of notification) 24,998 shares of common stock (par $2.50) to be offered for subscription by stockholders on the basis of one new share for each 10 shares held; unsubscribed shares to be offered to employees. **Price**—$6 per share. **Proceeds**—For working capital. **Address**—Box 547, Fresno, Calif. **Underwriters**—J. Barth & Co. and Schwabacher & Co., both of San Francisco, Calif.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Fennekohl & Co., New York.

Virginia Electric & Power Co.
Oct. 22 filed 600,000 shares of common stock (par $10) being offered for subscription by stockholders of record Nov. 23 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Dec. 8. **Price**—$29 per share. **Proceeds**—For construction program. **Underwriter**—Stone & Webster Securities Corp.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. **Price**—At the market (estimated at $1.37½ per share). **Proceeds**—To Elizabeth D. Hardman, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

• **Western Empire Uranium Co. (12/6)**
Nov. 16 (letter of notification) 2,750,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Silver State Bldg., Denver, Colo. **Underwriter**—L. A. Huey Co., same city.

Western Fire & Indemnity Co., Lubbock, Texas
Oct. 18 filed 30,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—To establish reserve to qualify company to do business in States other than Texas. **Underwriter**—None.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Western Precipitation Corp., Los Angeles, Calif.
Oct. 21 filed 60,000 shares of common stock (par $1). **Price**—$8.75 per share. **Proceeds**—For working capital, etc. **Business**—Designs, manufactures and installs equipment used for clearing industrial gases. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

★ **Western Properties, Inc., Little Rock, Ark.**
Nov. 16 (letter of notification) 299,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—To carry on real estate business. **Office**—417 Medical Arts Building, Little Rock, Ark. **Underwriter**—None.

★ **Whitaker Metals Corp., North Kansas City, Mo.**
Nov. 29 filed 50,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 29 at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Barret, Fitch, North & Co., Kansas City, Mo.

Wilco Oil & Minerals Corp.
Nov. 2 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil activities. **Office** — 728 Columbus St., Rapid City, S. D. **Underwriter**—Fenner-Streitman & Co., New York.

★ **Winslow Laboratories, Inc.**
Nov. 24 (letter of notification) 23,176 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—1126 Baker Bldg., Minneapolis, Minn. **Underwriter**—None.

★ **Winslow Laboratories, Inc.**
Nov. 24 (letter of notification) 20,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — To Stephen R. Winslow, President. **Office** — 1126 Baker Bldg., Minneapolis, Minn. **Underwriter**—None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

Aluminium, Ltd.
Nov. 23 stockholders approved a proposal to increase the authorized capital stock from 10,000,000 shares (9,029,193 shares outstanding) to 20,000,000 shares (no par value) of which a part may be offered for subscription by stockholders. **Price**—It is expected that the proceeds will amount to approximately $40,000,000. **Proceeds**—For expansion program. **Dealer Managers** — In April, 1953, The First Boston Corp., A. E. Ames & Co., Ltd., and White, Weld & Co. managed a group of soliciting dealers to procure subscriptions for the shares. **Offering**—Probably early in 1955, with directors to meet Dec. 7.

Amalgamated Bank of New York
Nov. 22, Jacob S. Potofsky, President and Chairman, stated that the bank is offering to its stockholders 40,000 additional shares of capital stock (par $10) on a pro rata basis. **Price**—$12.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Bank of Asheville, N. C.
Nov. 15 stockholders of record Nov. 13 were offered the right to subscribe on or before Dec. 15 for 2,500 additional shares of capital stock (par $10) on the basis of one new share for each eight shares held. **Price**—$25 per share. **Proceeds**—For capital and surplus. **Underwriters**—McCarley & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of Asheville, N. C.

Big Dollar Food Stores, Inc.
Nov. 17 it was reported company plans to issue and sell 100,000 shares of common stock. **Price**—$3 per share. **Business**—Operates five stores in Westchester County, N. Y. **Underwriter**—Baruch Brothers & Co., Inc., New York.

Byers (A. M.) Co.
Oct. 11, A. B Drastrup, President, announced that company plans to refinance the 42,277 outstanding shares of 7% preferred stock (par $100) through a new issue of preferred stock and possibly also include issuing additional common stock. **Proceeds**—To retire existing preferred stock and for capital expenditures and working capital. **Underwriter**—Previous preferred stock financing was handled by Dillon, Read & Co. Inc., New York.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

Chesapeake & Ohio Ry.
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

• **Chicago, Burlington & Quincy RR. (12/7)**
Nov. 22 it was announced company has applied to ICC for authority to issue and sell $4,800,000 of equipment trust certificates to be dated Dec. 1, 1954, and to mature semi-annually to and including Dec. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Chicago & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

Chicago, Milwaukee, St. Paul & Pac. RR. (12/6)
Bids will be received by the company up to noon (CST) on Dec. 6 at Room 744, Union Station Building, Chicago 6, Ill., for the purchase from it of $7,200,000 equipment trust certificates, series TT, dated Nov. 1, 1954, and due semi-annually to and including Nov. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR.
Oct. 28 it was reported that this company may possibly announce a refunding operation soon which will eliminate its preferred stock.

Commonwealth Edison Co. (1/11)
Nov. 5, William Gale, Chairman, disclosd that this company plans to file a registration statement with the SEC in December covering a proposed issue of long-term, sinking fund debentures (the exact amount of which has not yet been determined). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received on Jan. 11.

Consolidated Natural Gas Co.
Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing 920,822 additional shares of capital stock for an offering to stockholders planned for 1955 on a 1-for-8 basis. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds

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expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Duke Power Co.
Nov. 10 it was announced company plans to issue and sell $40,000,000 of 20-year first mortgage bonds. **Proceeds**—To redeem $35,000,000 3¾% bonds, due 1983, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected in January.

Duke Power Co.
Nov. 10 company announced it plans to offer to its common stockholders a maximum of 218,737 additional shares of common stock on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—None.

Evans Products Co., Plymouth, Mich.
Nov. 6 it was announced stockholders will vote Dec. 21 on approving an authorized issue of 100,000 shares of preferred stock (par $50) and on increasing the authorized common stock (par $5) from 300,000 shares to 1,000,000 shares. **Business**—Company manufactures freight car loading equipment. **Financing**—Not imminent.

First National Bank of Colorado Springs
Nov. 3 stockholders were given the right to subscribe for 12,500 additional shares of capital stock on a 1-for-4 basis. **Price**—$38.50 per share. **Underwriters**—Newman & Co., Colorado Springs, Colo.; and Bosworth, Sullivan & Co. and Boettcher & Co., both of Denver, Colo.

Fort Neck National Bank, Seaford, N. Y.
Nov. 17 stockholders of record Nov. 16 were offered 26,000 additional shares of capital stock (par $12.50) on a 1-for-2 basis; rights to expire on Dec. 7. **Price**—$20 per share. **Underwriter**—Blair & Co. Incorporated, New York.

General Homes, Inc., Huntington Station, N. Y.
Nov. 17 it was announced company plans to issue and sell 300,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For working capital. **Business**—Prefabricated houses. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in December.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

★ **Great Northern Ry. (12/2)**
Bids will be received by the company up to noon (EST) no Dec. 2 for the purchase from it of $8,880,000 equipment trust certificates due semi-annually from June 1, 1955 to and including Dec. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

Gulf, Mobile & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

● **Illinois Central RR. (12/15)**
Dec. 1 it was announced company plans to issue and sell $18,000,000 of sinking fund debentures due 1980. **Proceeds**—Together with treasury funds to redeem 372,914 shares of outstanding preferred stock (par $50). **Underwriter**—To be determined by competitive bidding. **Probable** bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—To be received up to noon (EST) on Dec. 15 at office of Davis, Polk, Wardwell, Sunderland & Kleindl, 15 Broad Street, New York 5, N. Y.

Kansas City Power & Light Co. (2/15)
Sept. 15 it was announced that company plans to sell $16,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received on Feb. 15, 1955.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Marine Midland Corp., Buffalo, N. Y.
Nov. 17 it was announced company plans to offer to its common stockholders the right to subscribe for approximately 400,000 shares of cummulative convertible preferred stock (par $50). **Proceeds** — For investment in additional capital stock of subsidiary banks and for other corporate purposes. **Underwriters** — Union Securities Corp.; The First Boston Corp.; Schoellkopf, Hutton & Pomeroy; Granbery, Marache & Co. **Meeting** — Stockholders to vote on financing Dec. 29.

Missouri Natural Gas Co.
Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around $8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Missouri Pacific RR. (12/9)
Bids will be received by this company on Dec. 9 for the purchase from it of $4,575,000 equipment trust certificates dated Jan. 1, 1955 and to mature annually Jan. 1, 1956-1970, inclusive (part of a new authorized issue of $8,555,000). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

New England Power Co. (1/18)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds, series F, due 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 18, 1955.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

New York, Chicago & St. Louis RR. (1/11)
Nov. 16 it was announced company plans to issue and sell $36,000,000 of income debentures due 1990. **Proceeds**—To redeem outstanding 334,166 shares of 6% preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected on Jan. 11.

★ **New York, New Haven & Hartford RR. (12/16)**
Bids are expected to be received by the company on Dec. 16 for the purchase from it of $3,345,000 equipment trust certificates due to 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co., Blair & Co. Incorporated.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction. **Offering**—Not imminent.

Peninsular Telephone Co.
Oct. 19 stockholders approved proposal to increase authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters** — Last financing was handled by Morgan Stanley & Co. and Coggeshall & & Hicks. Not imminent.

● **Pennsylvania Co. for Banking and Trusts, Phila.**
Dec. 1 stockholders were offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of one new share for each 14 shares held as of Nov. 26, 1954; rights to expire on Dec. 23. **Price**—$42 per share. **Proceeds** — To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co., of New York.

Penn-Texas Corp.
Oct. 18 authorized capital stock (par $10) was increased by 1,000,000 shares, of which about 220,000 shares are to be publicly offered. **Price** — From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds** — Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program. **Offering**—No definite decision yet made.

Public Service Co. of Oklahoma
Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in first half of 1955.

Public Service Electric & Gas Co.
Nov. 17 it was announced company plans to issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds** — To reduce bank loans and for construction program. **Underwriters** — Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Offering**—Expected in January, 1955.

★ **Puerto Rico Water Resources Authority (12/14)**
Nov. 23 it was announced an issue of $12,500,000 of electric revenue bonds due serially from Jan. 1, 1957 to July 1, 1990 will be issued. **Proceeds**—To extend facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders may include: The First Boston Corp. **Bids**—To be received at the Government Development Bank for Puerto Rico, 37 Wall Street, New York, N. Y., up to 11 a.m. (EST) on Dec. 14.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue additional common stock early next year. **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and First California Co.

Texas & Pacific Ry. (12/8)
Bids will be received by the company up to noon (EST) on Dec. 8 for the purchase from it of $1,350,000 of equipment trust certificates due annually Jan. 1, 1956 to 1965, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated; R. W. Pressprich & Co.

● **Transcontinental Gas Line Corp.**
Nov. 24, Tom P. Walker, President, announced that next year's construction program and replacement of bank borrowings made this year will require financing during 1955 of about $85,000,000. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Trust Co. of Maryand (1/4)
Nov. 11 it was announced bank plans to offer its stockholders 100,000 additional shares of capital stock (par $10) on a 1-for-3 basis. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Meeting**—Stockholders will vote on financing on Jan. 4.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

United Gas Corp. (1/11)
Nov. 22 Electric Bond & Share Co. filed with the SEC an application to sell 170,000 shares of common stock of United Gas Corp. in order to reduce its holdings to less than 10% of United Gas stock outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Goldman, Sachs & Co.; The First Boston Corp.; Lehman Brothers. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on or about Jan. 11.

U. S. National Bank of Portland (Ore.)
Nov. 8 it was announced that following approval by stockholders on Nov. 26 of a merger with Commercial Bank of Oregon and Bank of Albany, it is planned to offer stockholders of record Dec. 2 right to subscribe on or before Dec. 24 for 48,000 shares of capital stock (par $20). **Price**—$50 per share. **Underwriter**—Blyth & Co., Inc., New York.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20,000,000 to $25,000,000 of first mortgage bonds some time next Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

Virginia Telephone & Telegraph Co. (12/14-15)
Nov. 22 it was reported company plans to offer to residents of Virginia 35,000 additional shares of common stock. **Price**—About $15.25 per share. **Proceeds**—For additions and improvements. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Western Light & Telephone Co., Inc.**
Nov. 24 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1985 and about 40,000 additional shares of common stock (the latter to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—May be Dean Witter & Co. and The First Trust Co. of Lincoln, Neb. **Offering**—Expected in January. Bonds may be sold publicly or privately, depending on market conditions.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Gabriel Securities Offer "Glorion" Stock

Gabriel Securities, 3420 Bergenline Ave., Union City, N. J., is offering publicly an issue of 100,000 shares of common stock (par 10 cents) of Soil Builders International Corp. at $3 per share.

The corporation is the manufacturer under a secret process of "Glorion," a plant food, fertilizer and soil builder with distribution in 10 states and Canada. Its plant is located in Clarksville, Tenn.

It is intended to use the net proceeds to purchase additional raw materials; to increase the capacity of the Tennessee plant; and for other general corporate purposes.

Giving effect to the present financing, there will be outstanding 250,000 shares out of a total of 300,000 shares authorized.

Joins Wulff Hansen Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Frank J. Kihm is now with Wulff-Hansen & Co., Russ Building. He was previously with H. E. Work & Co.

Shepard Jones Opens

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif. — Shepard Jones is engaging in a securities business from offices at 2105 Center Street.

Joseph P. Spicer Opens

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif.—Joseph P. Spicer has opened offices at 2105 Center Street to engage in a securities business.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Aaron M. Binder has been added to the staff of Daniel D. Weston & Co., 118 South Beverly Drive.

Continued from page 45

expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Duke Power Co.
Nov. 10 it was announced company plans to issue and sell $40,000,000 of 20-year first mortgage bonds. **Proceeds**—To redeem $35,000,000 3¾% bonds, due 1983, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected in January.

Duke Power Co.
Nov. 10 company announced it plans to offer to its common stockholders a maximum of 218,737 additional shares of common stock on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—None.

Evans Products Co., Plymouth, Mich.
Nov. 6 it was announced stockholders will vote Dec. 21 on approving an authorized issue of 100,000 shares of preferred stock (par $50) and on increasing the authorized common stock (par $5) from 300,000 shares to 1,000,000 shares. **Business**—Company manufactures freight car loading equipment. **Financing**—Not imminent.

First National Bank of Colorado Springs
Nov. 3 stockholders were given the right to subscribe for 12,500 additional shares of capital stock on a 1-for-4 basis. **Price**—$38.50 per share. **Underwriters**—Newman & Co., Colorado Springs, Colo.; and Bosworth, Sullivan & Co. and Boettcher & Co., both of Denver, Colo.

Fort Neck National Bank, Seaford, N. Y.
Nov. 17 stockholders of record Nov. 16 were offered 26,000 additional shares of capital stock (par $12.50) on a 1-for-2 basis; rights to expire on Dec. 7. **Price**—$20 per share. **Underwriter**—Blair & Co. Incorporated, New York.

General Homes, Inc., Huntington Station, N. Y.
Nov. 17 it was announced company plans to issue and sell 300,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For working capital. **Business**—Prefabricated houses. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in December.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

★ **Great Northern Ry. (12/2)**
Bids will be received by the company up to noon (EST) no Dec. 2 for the purchase from it of $8,880,000 equipment trust certificates due semi-annually from June 1, 1955 to and including Dec. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

Gulf, Mobile & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

● **Illinois Central RR. (12/15)**
Dec. 1 it was announced company plans to issue and sell $18,000,000 of sinking fund debentures due 1980. **Proceeds**—Together with treasury funds to redeem 372,914 shares of outstanding preferred stock (par $50). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—To be received up to noon (EST) on Dec. 15 at office of Davis, Polk, Wardwell, Sunderland & Kleindl, 15 Broad Street, New York 5, N. Y.

Kansas City Power & Light Co. (2/15)
Sept. 15 it was announced that company plans to sell $16,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received on Feb. 15, 1955.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Marine Midland Corp., Buffalo, N. Y.
Nov. 17 it was announced company plans to offer to its common stockholders the right to subscribe for approximately 400,000 shares of commulative convertible preferred stock (par $50). **Proceeds** — For investment in additional capital stock of subsidiary banks and for other corporate purposes. **Underwriters** — Union Securities Corp.; The First Boston Corp.; Schoellkopf, Hutton & Pomeroy; Granbery, Marache & Co. **Meeting** — Stockholders to vote on financing Dec. 29.

Missouri Natural Gas Co.
Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around $8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Missouri Pacific RR. (12/9)
Bids will be received by this company on Dec. 9 for the purchase from it of $4,575,000 equipment trust certificates dated Jan. 1, 1955 and to mature annually Jan. 1, 1956-1970, inclusive (part of a new authorized issue of $8,555,000). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

New England Power Co. (1/18)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds, series F, due 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 18, 1955.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

New York, Chicago & St. Louis RR. (1/11)
Nov. 16 it was announced company plans to issue and sell $36,000,000 of income debentures due 1990. **Proceeds**—To redeem outstanding 334,166 shares of 6% preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected on Jan. 11.

★ **New York, New Haven & Hartford RR. (12/16)**
Bids are expected to be received by the company on Dec. 16 for the purchase from it of $3,345,000 equipment trust certificates due to 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co., Blair & Co. Incorporated.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction. **Offering**—Not imminent.

Peninsular Telephone Co.
Oct. 19 stockholders approved proposal to increase authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters** — Last financing was handled by Morgan Stanley & Co. and Coggeshall & & Hicks. Not imminent.

● **Pennsylvania Co. for Banking and Trusts, Phila.**
Dec. 1 stockholders were offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of one new share for each 14 shares held as of Nov. 26, 1954; rights to expire on Dec. 23. **Price**—$42 per share. **Proceeds** — To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co., of New York.

Penn-Texas Corp.
Oct. 18 authorized capital stock (par $10) was increased by 1,000,000 shares, of which about 220,000 shares are to be publicly offered. **Price** — From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds** — Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program. **Offering**—No definite decision yet made.

Public Service Co. of Oklahoma
Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in first half of 1955.

Public Service Electric & Gas Co.
Nov. 17 it was announced company plans to issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds** — To reduce bank loans and for construction program. **Underwriters** — Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Offering**—Expected in January, 1955.

★ **Puerto Rico Water Resources Authority (12/14)**
Nov. 23 it was announced an issue of $12,500,000 of electric revenue bonds due serially from Jan. 1, 1957 to July 1, 1990 will be issued. **Proceeds**—To extend facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders may include: The First Boston Corp. **Bids**—To be received at the Government Development Bank for Puerto Rico, 37 Wall Street, New York, N. Y., up to 11 a.m. (EST) on Dec. 14.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue additional common stock early next year. **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and First California Co.

Texas & Pacific Ry. (12/8)
Bids will be received by the company up to noon (EST) on Dec. 8 for the purchase from it of $1,350,000 of equipment trust certificates due annually Jan. 1, 1956 to 1965, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated; R. W. Pressprich & Co.

● **Transcontinental Gas Line Corp.**
Nov. 24, Tom P. Walker, President, announced that next year's construction program and replacement of bank borrowings made this year will require financing during 1955 of about $85,000,000. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Trust Co. of Maryand (1/4)
Nov. 11 it was announced bank plans to offer its stockholders 100,000 additional shares of capital stock (par $10) on a 1-for-3 basis. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Meeting**—Stockholders will vote on financing on Jan. 4.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

United Gas Corp. (1/11)
Nov. 22 Electric Bond & Share Co. filed with the SEC an application to sell 170,000 shares of common stock of United Gas Corp. in order to reduce its holdings to less than 10% of United Gas stock outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Goldman, Sachs & Co.; The First Boston Corp.; Lehman Brothers. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on or about Jan. 11.

U. S. National Bank of Portland (Ore.)
Nov. 8 it was announced that following approval by stockholders on Nov. 26 of a merger with Commercial Bank of Oregon and Bank of Albany, it is planned to offer stockholders of record Dec. 2 right to subscribe on or before Dec. 24 for 48,000 shares of capital stock (par $20). **Price**—$50 per share. **Underwriter**—Blyth & Co., Inc., New York.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20,000,000 to $25,000,000 of first mortgage bonds some time next Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

Virginia Telephone & Telegraph Co. (12/14-15)
Nov. 22 it was reported company plans to offer to residents of Virginia 35,000 additional shares of common stock. **Price**—About $15.25 per share. **Proceeds**—For additions and improvements. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Western Light & Telephone Co., Inc.**
Nov. 24 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1985 and about 40,000 additional shares of common stock (the latter to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—May be Dean Witter & Co. and The First Trust Co. of Lincoln, Neb. **Offering**—Expected in January. Bonds may be sold publicly or privately, depending on market conditions.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Gabriel Securities Offer "Glorion" Stock

Gabriel Securities, 3420 Bergenline Ave., Union City, N. J., is offering publicly an issue of 100,000 shares of common stock (par 10 cents) of Soil Builders International Corp. at $3 per share.

The corporation is the manufacturer under a secret process of "Glorion," a plant food, fertilizer and soil builder with distribution in 10 states and Canada. Its plant is located in Clarksville, Tenn.

It is intended to use the net proceeds to purchase additional raw materials; to increase the capacity of the Tennessee plant; and for other general corporate purposes.

Giving effect to the present financing, there will be outstanding 250,000 shares out of a total of 300,000 shares authorized.

Joins Wulff Hansen Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Frank J. Kihm is now with Wulff-Hansen & Co., Russ Building. He was previously with H. E. Work & Co.

Shepard Jones Opens

(Special to The Financial Chronicle)

BERKELEY, Calif. — Shepard Jones is engaging in a securities business from offices at 2105 Center Street.

Joseph P. Spicer Opens

(Special to The Financial Chronicle)

BERKELEY, Calif.—Joseph P. Spicer has opened offices at 2105 Center Street to engage in a securities business.

With Daniel D. Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Aaron M. Binder has been added to the staff of Daniel D. Weston & Co., 118 South Beverly Drive.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street New York 8, N. Y.

Preferred Dividend No. 186
Common Dividend No. 122

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable January 1, 1955, to holders of record at the close of business on December 9, 1954. Transfer books will not be closed.

CARL A. SUNDBERG
November 23, 1954 Secretary

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, November 17, 1954, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable December 29, 1954, to Common stockholders of record at the close of business on December 1, 1954.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable December 15, 1954, to Preferred stockholders of record at the close of business on December 1, 1954.

S. A. McCASKEY, JR.
Secretary

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 195
Common Dividend No. 185

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1954 and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable January 3, 1955 to holders of record December 6, 1954. The stock transfer books will remain open.

E. F. Page, *Secretary and Treasurer*
November 24, 1954

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (November 30, 1954) declared thirty-five cents per share as a quarterly dividend, and thirty-five cents per share as an extra dividend on the no par value stock of the corporation, issued and outstanding, payable on and after December 24, 1954, to the stockholders of record on the corporation's books at the close of business December 15, 1954.

MARSHALL G. NORRIS,
Secretary.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

201st Preferred Dividend

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of The American Tobacco Company, payable in cash on January 3, 1955, to stockholders of record at the close of business December 10, 1954. Checks will be mailed.

Harry L. Hilyard, *Treasurer*
November 30, 1954

Burroughs

220th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of Burroughs Corporation, payable Jan. 20, 1955 to shareholders of record at the close of business Dec. 17, 1954.

Sheldon F. Hall,
Detroit, Mich. *Vice President*
November 29, 1954 *and Secretary*

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 80

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 30, 1954, to stockholders of record at the close of business on December 10, 1954.

A. R. BERGEN,
November 29, 1954. *Secretary.*

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable January 1, 1955 to stockholders of record at the close of business on December 6, 1954.

Common Stock

A quarterly dividend of $0.15 per share and an extra dividend of $0.10 per share on the Common Stock, both payable January 1, 1955 to stockholders of record at the close of business on December 6, 1954.

Transfer books will not be closed. Checks will be mailed. Wm. J. Williams
Vice-President & Secretary

DIVIDEND NOTICES

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable January 1, 1955 to holders of Preferred Stock of record at the close of business December 10, 1954:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875

VINCENT T. MILES
Treasurer
November 26, 1954

New York, December 1, 1954

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending December 31, 1954, and an extra dividend of Fifty (50) Cents per share, both payable on January 17, 1955, to stockholders of record at the close of business December 15, 1954.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

International

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices:
20 North Wacker Drive, Chicago 6

★

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
51st Consecutive Regular
Quarterly Dividend of
One Dollar ($1.00) per Share

$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared – Nov. 18, 1954
Record Date – Dec. 10, 1954
Payment Dates
Preferred Stock: Dec. 30, 1954
Common Stock: Jan. 3, 1955

A. R. Cahill
Vice President and Treasurer

★

Phosphate • Potash • Plant Foods
Chemicals • Industrial Minerals
Amino Products

DIVIDEND NOTICES

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 230

The Board of Directors has declared a year end dividend of 50¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 21, 1954, to holders of record at the close of business December 8, 1954.

J. H. MICHAELI,
November 23, 1954 *Treasurer*

MERCK & CO., Inc.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on January 3, 1955 to stockholders of record at the close of business December 10, 1954.

John H. Gage,
November 30, 1954 *Treasurer*

ROBERTSHAW - FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable December 20, 1954 to stockholders of record at the close of business December 10, 1954.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 20, 1954 to stockholders of record at the close of business December 10, 1954. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
November 23, 1954

Pullman Incorporated

88th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy five cents (75¢) per share will be paid on December 14, 1954 to stockholders of record November 30, 1954. An extra dividend of one dollar ($1.00) per share will be paid on January 6, 1955 to stockholders of record December 15, 1954.

CHAMP CARRY
President

PULLMAN STANDARD CAR MANUFACTURING CO. KELLOGG TRAILMOBILE

DIVIDEND NOTICES

MIDDLE STATES PETROLEUM CORPORATION

COMMON STOCK DIVIDENDS

A dividend of 50 cents per share has been declared on the common stock of Middle States Petroleum Corporation, payable on December 24, 1954, to stockholders of record at the close of business on December 9, 1954. A dividend of four per cent, payable in common stock, has also been declared, issuable on January 31, 1955, to stockholders of record at the close of business on January 3, 1955. Transfer books will not be closed.

G. B. LEIGHTON, Secretary.
November 29, 1954.

VANADIUM CORPORATION OF AMERICA

VANCORAM

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held today, an extra dividend of ten cents per share was declared on the Capital Stock of the Corporation, payable December 21, 1954, to stockholders of record at 3:30 o'clock p. m., December 10, 1954, and a dividend of thirty-five cents per share was declared on said stock, payable February 16, 1955, to stockholders of record at 3:30 o'clock p. m., February 4, 1955. Checks will be mailed.

B. O. BRAND, Secretary.
November 23, 1954.

THE **West Penn** *Electric Company*
(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

60¢ PER SHARE

Payable December 28, 1954
Record Date Dec. 10, 1954
Declared December 1, 1954

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

TENNESSEE CORPORATION

November 16, 1954

A dividend of thirty-seven and a half (37½¢) cents per share has been declared payable December 22, 1954, to stockholders of record at the close of business November 29, 1954.

An extra dividend of twenty-two and a half (22½¢) cents per share has been declared payable January 5, 1955, to stockholders of record at the close of business November 29, 1954.

John G. Greenburgh
Treasurer.

61 Broadway
New York 6, N. Y.

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—That dream of an ideal national system of better highways is not likely to be nearly so extravagant when it goes up to Capitol Hill for consideration as some of the wild figures have suggested.

And, if Congress is disposed to be at all critical, it will be able to find genuine technical flaws in the method of "surveying" the nation's highway needs which will point the way toward a substantial cut in the size of the program in dollars without too great a cut in the mileage objective.

Even since Vice-President Nixon went before the Governors' conference to tell that President Eisenhower wanted to modernize the nation's highway system at a cost of $50 billion over a period of 10 years, there has been a great deal of confusion about what was in prospect.

Most of that confusion is attributed to the special Presidential Commission, charged with the job of whipping up the $50-billion program in shape for submission to Congress this winter. Spokesmen for the Commission, up to now, have not explained very well the exact meaning of some of their projections, with the result that almost everybody has a different idea of what the study commission has in mind.

Is Not $101 Billion

For instance, visitors at the study commission have come away with the belief that what the President is planning is not a $50-billion, 10-year program, but a program of $101 billion. This report has caused a great deal of alarm.

Actually what has happened there is that this $101-billion figure is the estimate of what must be spent on ALL city streets as well as highways if the nation is to have the necessary streets and highways for 1974. For, one must understand, the President is certain that the nation is bound to grow; that there will be 81 million motor vehicles registered 10 years from now against 58 million now, and by 1974 there will be 100 million motor vehicles.

Now the Federal Government does not subsidize city streets and by-ways as such, unless they are part of a Federally aided road system. In other words, the only city street which gets any Federal aid is that which by coincidence is part of a Federally-aided highway system.

States and cities in the aggregate pay more than 90% of the cost of all the roadable mileage in the U. S.; the Federal Government less than 10%.

Plan for Main Roads

What the Clay Commission is talking about and thinking about and planning for are those primary Federal and state secondary (farm to market or county roads) which now receive varying ratios of Federal grants. Gen. Lucius Clay is NOT as some have inferred, getting ready to recommend that the White House propose that Congress take over the subsidizing of city streets.

There are about 447,000 miles of county or farm to market or secondary roads. There are 235,000 miles of primary roads connecting virtually all industries and ports. Included in the latter are the 40,000 miles of the interestate road system, the main through roads, which connect 42 state capitals and all cities over 50,000 population.

There is a pretty good suspicion that the Clay Commission will show primary attention to the interestate system, but it may propose that some aid also spill over to ordinary primary roads and some to county roads.

$50 Billion Includes Existing Programs

However, Congress has authorized something like an $875-million Federal aid program for each of two years, this year and next. After deducting special projects like forest roads and trails, roads through Indian lands, etc., it is said this amounts to an annual $700-million Federal aid highway program.

It is contemplated that this would be kept up regularly and with the greater amount that states spend over all, would together account for about one-half of the so-called "10-year $50-billion road program."

In other words, half the $50-billion program is simply an inflated figure, to make the thing look bigger, prettier, and more politically spectacular. If it just incidentally frightens a few responsible taxpayers in the process, that is not important because they are too few.

Boils Down to $26 Billion

So what the Clay Commission is really playing with is an addition to road outlays of in the neighborhood of $26 billion to be expended over a period of 10 years, or about $2.5 billion per year.

It is frankly acknowledged that states will not match their share of the costs of an expanded Federal aid road system, and at the same time keep up the existing program at an accelerated rate, as well. Hence the $26 billion must come from Uncle Sugar, by whatever accounting hocus-pocus — like an advance or accelerated grant or loan, or what—is used. It is acknowledged that states just will not and perhaps could not just about double the amount of money being paid out for roads.

Need Sleight-of-Hand Financing Plan

So this boils the beautiful road planning down to an additional 10-year Federal outlay of $26 billion, but it raises the question of how this sizable chunk of money, equivalent to the gross national debt at the end of War I, is to be raised.

Present plans tentatively call for sleight-of-hand. You will be told seriously that the idea is to create a separate Federal corporation to borrow on its own credit secured by gasoline tax money received by the Federal Government. Additional gas taxes? Oh my goodness, no. Just present gas taxes.

The fact that these revenues are already in hock is considered beside the point to those whose eyes are brightly beholding the great objective of an adequate system of highways.

This stratagem is also designed, of course, to pay for the $26-billion program both seemingly without deficit financing and outside the legal boundaries of the Federal debt. This extra $26 billion would be treated solemnly as not the debt of the Federal Government, but the debt of the corporation, and would be excluded from the Federal debt limit.

In case the Clay Commission proposes this to the President, it will be interesting to see whether it is allowed to get by the Treasury.

Plan "What Do You Need?"

While pending detailed release of information about The Clay Commission studies it is not possible to nail this down, it is nevertheless believed that the approach in ascertaining the needs for highways in 20 years has been that of asking highway departments, "what do you need?"

Most highway appraisals fall into two categories:

(1) One of these is a so-called "engineering survey" consisting of an office survey made according to arbitrary standards (such as that a highway over 20 years of age with such and such a roadway width is obsolete). This, in other words, is an inventory of highways with many miles of roads thrown out according to arbitrary standards of what a modern road should be.

(2) A second method of surveying highway needs has simply been to ask highway departments what they need. And since it is Uncle Sam that is asking and probably Uncle Sam who is going to pay, this boils down to writing a letter to Santa Claus. States recognize this situation.

The Pennsylvania highway survey made in 1951 by the Pennsylvania Highway and Planning Commission represents a contrast. In this study, engineers actually went out into the field and personally inspected every mile of the state's highways. They came up with a report recommending "limited reconstruction" or what the state's highway department came to call its "half-soleing" program.

This study found that it wasn't necessary to re-build all main highways. Existing roadways could be widened a few feet, bad surface could be repaired, the worst curves straightened out, etc., etc. This Commission's study indicated the existing roadway system could be salvaged and modernized at a cost of $1 billion less than complete reconstruction.

Stop Toll Roads

It is understood that the Clay Commission will take no position against construction by states of toll roads for the main interstate thoroughfares. On the other hand, if the state undertakes to build a toll road, it will get no money out of the $26-billion expanded road program, and will have to nick its own citizens as well as nonresidents.

So the probable effect of the Clay Commission report will be to bring toll road planning to an end, if Congress approves the scheme.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Snits sign painters?——Just how in *** do you think you spell 'Bob'?"**

Business Man's Bookshelf

Atomic Gospel, The — John Jay Hopkins—An address before the Poor Richard Club of Philadelphia — General Dynamics Corporation, 445 Park Avenue, New York 22, N. Y. (Patrick J. Sullivan, Director of Public Relations) (paper) on request.

Gearing Pensions to Current Economic Trends—Meyer M. Goldstein—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

Pension Planning: Experience and Trends—Walter J. Couper and Roger Vaughan—Industrial Relations Counselors, Inc., New York, N. Y. (cloth) $5.

Statistical Abstract of the U. S. — 75th Anniversary Edition — Bureau of the Census, U. S. Department of Commerce, Washington 25, D. C. (cloth), $3.75 —for sale by Supt. of Documents, Government Printing Office, Washington 25, D. C.

Trucks—Trouble—and Triumph: The Norwalk Truck Line Company—Wayne G. Broehl, Jr. — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth) $5.50.

Joins Crowell, Weedon

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Phillip B. French has become affiliated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

With Hill Richards Co.

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Frank N. Eklund, Jr. is now with Hill Richards & Co., Bank of America Building.

L. W. T. Coleman

Leander W. Townsend Coleman, limited partner in the New York Stock Exchange firm of De Coppet & Doremus, passed away at the age of 86.